FINANCIAL TIMES

World Business Newspaper — FRIDAY NOVEMBER 10 1995 — D8523A

Korean bribery
Dark side of the miracle
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Employers fall out
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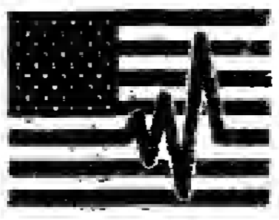

The coming crunch
Is US default unthinkable?
Philip Coggan, Page 15

TOMORROW'S **Weekend FT**
Bitter memories of the resistance

German pact paves way for more open telecoms market

The German government and the opposition Social Democratic party agreed to put legislation jointly before parliament to liberalise the country's telecommunications market. All-party agreement after eight rounds of negotiation means the bill should pass both houses of parliament and is expected to become law by next summer. Page 14; BT loses phone customers to cable, Page 15; Price cuts and competition, Page 19

Mitsubishi and Alcatel in talks: French transport, telecoms and engineering group Alcatel Alsthom, is holding preliminary discussions with Japan's Mitsubishi Electric to consider co-operating in electrical and telecoms activities. Page 15

Bank of France acts to ease credit:

The Bank of France eased credit, reflecting support for prime minister Alain Juppé's newly recast government and some worry about slowing economic growth. Finance minister Jean Arthuis (left) said he "did not despair" of achieving the government target of 2.8 per cent real growth next year even though most private forecasters predict the economy will expand by around 2.5 per cent. Page 14

Electrolux, the world's biggest household appliances manufacturer, warned of falling demand despite a 21 per cent underlying rise in nine-month profits to SKr2.78bn ($418m) and a 4 per cent rise in profits to SKr677m in the third quarter. Page 15

Sahlin poised to withdraw candidacy: Sweden's Social Democratic party was in disarray as speculation mounted that deputy prime minister Mona Sahlin was poised to withdraw as candidate to succeed party leader and premier Ingvar Carlsson when he retires next March. Page 14

Russia seeks to thwart communists: Russia's parliament will today debate changes to the country's election law to head off a communist victory in next month's parliamentary elections as part of a broader attempt by the country's élite to keep the communists out of power. Page 3

Panasonic accord on works councils: Panasonic, the consumer electronics offshoot of Matsushita of Japan, reached agreement with European trade unions on creating a works council for its 10,000 employees across the continent. It is the first such deal negotiated by a Japanese company based in Europe. Page 8; One step ahead, Page 10

BASF, the German chemical group, reported a 156 per cent increase in pre-tax profits to DM3.1bn ($2.19bn) in the first nine months of the current year. Page 15; Lex, Page 14

Peso falls further: The Mexican currency tumbled to a fresh low as the central bank and government held emergency meetings to examine what measures could be taken to halt speculative attacks against the peso. Page 5

Top S Korean businessman quizzed: South Korean prosecutors questioned the country's best known tycoon, Chung Ju-yung, founder of the Hyundai Group, as part of their probe into the source of former president Roh Tae-woo's $650m slush fund. Page 6; Teetering tiger chases its tail, Page 13

Microsoft put its 18 per cent stake in reference book and CD-Rom publisher Dorling Kindersley up for sale in a move which could raise about £60m ($95m) for the US software group. Page 17; Lex, Page 14

Sony returns to profit: Japanese electronics group Sony was helped back to profits in the first half by cost-cutting and strong demand for its non-consumer electronics products. Page 18

Nine Germans die in hostel fire: A fire killed nine people and seriously injured 11 at a hostel for the homeless in the German town of Detmold in North Rhine-Westphalia.

China attacked on music piracy: Music industry executives accused China of failing to implement a global copyright pact and urged the European Commission to take a firmer stand against Beijing for its failure to stamp out piracy. Page 4

Ethiopian hijacker arrested: Greek police overpowered an Ethiopian hijacker who held a knife to the throat of an Olympic Airways stewardess on a Boeing 747 aircraft and demanded political asylum.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,861.34	(+8.67)
NASDAQ Composite	1,061.13	(+13.19)
Europe and Far East		
CAC40	1,852.63	(-13.70)
DAX	2,192.82	(+20.52)
FT-SE 100	3,541.6	(+4.5)
Nikkei	17,821.04	(-42.25)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.524%
Long Bond	107 [illegible]
Yield	6.288%

OTHER RATES

UK: 3-mo Interbank	6 11/16%	(6 [illegible]%)
UK: 10 yr Gilt	104 [illegible]	(104 [illegible])
France: 10 yr OAT	104.37	(104.74)
Germany: 10 yr Bund	100.95	(101.01)
Japan: 10 yr JGB	113.281	(113.204)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.68	(16.53)

GOLD

New York: Comex		
(Dec)	$387.4	(386.2)
London:		
close	$385.3	(384.8)

DOLLAR

New York: lunchtime		
£	1.58125	
DM	1.41175	
FFr	4.8675	
SFr	1.1375	
Y	100.805	
London:		
£	1.5785	(1.5802)
DM	1.4161	(1.4166)
FFr	4.8837	(4.8809)
SFr	1.1419	(1.1415)
Y	101.6	(102.325)

STERLING

DM	2.2353	(2.2385)
Tokyo $ close:	Y 102.355	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Police seize arms stockpile at home of Rabin killer

By Julian Ozanne in Jerusalem

Israeli police yesterday seized an arms stockpile including grenades and explosives at the home of Yitzhak Rabin's assassin, as evidence grew of a conspiracy among a handful of far-right fanatics which led to the murder of the prime minister.

As police pursued the alleged conspirators the government said Israel was even more committed now to peace with its Arab neighbours and welcomed recent statements by Syria as encouraging in the search for a comprehensive regional peace agreement.

Police said the arms cache discovered at the Tel Aviv home of Mr Yigal Amir, the confessed assassin, was big enough to make "any terror group proud" and announced they had arrested two more suspects, bringing the total to five.

Mr Moshe Shahal, police minister, said there was growing evidence of a carefully organised conspiracy among a right-wing fringe group who opposed Mr Rabin's peace moves with Palestinians for religious and political reasons.

"We believe there was a conspiracy between a group of persons who had the infrastructure and who prepared their aims quite cautiously. We would like to know if this organisation has more members," Mr Shahal said.

All five suspects are right-wing religious Jews believed to be connected with a shadowy militant group called Eyal, the Hebrew acronym for the Fighting Jewish Organisation. Eyal is politically descended from groups like Kach and Kahane Lives which were inspired by the late racist Rabbi Meir Kahane, who advocated hatred of Arabs and fanatical commitment to the biblical lands of Israel including the occupied West Bank.

Four of the five suspects studied at Bar Ilan, a Jewish religious university – which said yesterday it would expel a student who had welcomed Mr Rabin's assassination on an internet bulletin board.

Among the five is the assassin's brother Hagai and the alleged leader of the group, Mr Avishai Raviv. Police said they were investigating possible links between Eyal and other right-wing groups and were stepping up security around government leaders.

Mr Shimon Peres, acting prime minister, has vowed since the killing of Mr Rabin last Saturday that Middle East peace would not be abandoned. Yesterday, after meeting Mr Malcolm Rifkind, the British foreign minister, who visited Syria on Wednesday, Mr Peres said: "We are decided to go ahead with the peace process in spite of the tragic event, and maybe even more so because that was clearly the will of prime minister Rabin."

Government leaders said they welcomed Syria's call to speed peace moves. Mr Farouk al-Shara, Syrian foreign minister, told a joint news conference with Mr Rifkind in Damascus on Wednesday: "We believe that quickening the peace process is the positive reply which will spare the region more acts of violence and tension."

Clinton steps up budget battle with Congress

By Jurek Martin in Washington

The Clinton administration yesterday sharply stepped up its budget battle with Congress, warning that the Republican leadership was making "increasingly likely" a US government default on its debts next week.

Mr Robert Rubin, treasury secretary, said President Bill Clinton would veto the debt ceiling bill which the House of Representatives started debating yesterday because of the conditions attached to it. The bill "is a shortcut to default on the full faith and credit of the US for the first time in our history", Mr Rubin said.

Mr Alan Greenspan, chairman of the Federal Reserve, lent his weight in a letter to Congress which said that failure to make timely payments on US debt "would put a cloud over our securities that would not dissipate for many years".

Mr Clinton called an afternoon emergency Cabinet meeting to consider a partial shutdown of federal operations next week, including civil service lay-offs and the suspension of salaries, if Congress failed to pass an acceptable bill to keep the government temporarily funded.

The Administration and Congress face two critical deadlines next week. On Monday, the current six-week funding resolution expires, while on Wednesday the $4,900bn federal debt ceiling is likely to be breached when a $24.8bn repayment comes due.

For the first time in the protracted budget battle, the bond markets reacted to the prospect of default. In early afternoon trading the 30-year treasury long bond had lost more than half a point to 107 [illegible], taking its yield up to 6.288 per cent from 6.25 per cent on Wednesday. The dollar also fell in New York to trade at Y100.18 and DM1.4085, compared with Y102.55 and DM1.4208 late on Wednesday.

Mr Leon Panetta, White House chief of staff, accused the Republicans of using "terrorism tactics" over the funding issue. However, the Republican leadership was unmoved by the administration's assault. Senator Bob Dole, the majority leader, charged that "if the government shuts down, his [Mr Clinton's] fingerprints are going to be all over it".

Congressman Newt Gingrich, the Speaker, said "it is increasingly difficult to work with a president who seems to be primarily driven by his political advisers to engage in public relations stunts" rather than take part in serious negotiations on a balanced budget.

The new confrontation was sparked by a Wednesday night vote in the House providing temporary funding for government operations until December 1. But the bill, cutting spending in some cases to as low as 60 per cent of current budget levels, came with several conditions attached.

For the Administration, the problem with the Republican debt ceiling bills in the House

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Lex, Page 14; Overseas investors take dim view, Page 15; World Stocks, Page 42

Angry faces: New Zealand protesters in John Major masks demonstrate against the UK prime minister, who is in Auckland for the *Commonwealth summit. Mr Major has refrained from criticising France over its nuclear tests. Commonwealth split on Nigeria, Page 7* Reuters

Eurotunnel cuts fares in fight for trade

By William Lewis in London and Andrew Jack in Paris

Eurotunnel, the Anglo-French operator of the Channel tunnel, yesterday stepped up its battle for dominance of the cross-Channel market by unveiling a more aggressive pricing strategy.

The new approach ends the company's policy of charging customers a sizeable premium over ferry prices for travelling on Le Shuttle, the trains carrying vehicles through the tunnel between Folkestone and Calais.

Mr Georges-Christian Chazot, group chief executive, said Eurotunnel had "listened to our customers, travel agents and so on, and we are reacting accordingly".

Eurotunnel no longer wanted to be seen as charging a premium for a premium service. "We should not leave in the minds of the public that we are an elite service for a happy few," he said.

Eurotunnel's 1994 rights issue prospectus had said the company would provide a tariff structure that was "simple and readily understandable". Prices would be higher than those of the ferries because they derived a higher proportion of their revenues from on-board sales.

Yesterday Mr Chazot said that Eurotunnel "had definitely revised that [pricing strategy]. We do have a more complex tariff structure than was envisaged at that time".

The ferry companies have traditionally operated a complex series of tariffs which attempt to price discriminate between different types of passengers and to maximise their capacity.

P&O, the largest ferry operator on the Dover-Calais route, said Eurotunnel's new strategy represented a recognition "that the *Shuttle* is just another way of crossing the Channel".

Analysts have argued that as Eurotunnel increased its capacity, price cuts would be likely "to put backsides on seats". Mr Chazot said yesterday there would be a 60 per cent year-on-year increase in Le Shuttle's tourist capacity in 1996. Overall,

Continued on Page 14

British Rail rolling stock companies sold for $2.8bn

By Charles Batchelor, Transport Correspondent, in London

The controversial privatisation of Britain's rail network took an important step forward yesterday with the £1.8bn ($2.84bn) sale of the three rolling stock leasing companies, or "roscos", after a worldwide search for potential buyers.

Hambros Bank of the UK, responsible for the sale, approached more than 300 companies – banks, leasing groups and rolling stock manufacturers – in the US, Japan and Europe in its efforts to find buyers. Eight consortia made final bids. The government will also be paid an £800m cash dividend by the companies, taking its total receipts from the sale to more than £2.5bn.

The sale of the roscos represents an important breakthrough for the government, which has been battling against a wave of negative publicity surrounding privatisation. Leaked memos have revealed safety lapses while the programme has been dogged by delays.

But it is now gaining momentum, with the sale of franchises for the first three train operating companies due to take place next month and the stock market flotation of Railtrack, which owns track and signalling, scheduled for next spring.

The three companies, Angel Train Contracts, Eversholt Leasing and Porterbrook Leasing were set up in April 1994 to take over BR's 11,000 locomotives and carriages. They have leased them to the 25 train operating companies for between four and 10 years and are expected to finance new rolling stock when the train operators begin placing orders.

Two of the companies have been acquired by their managements with the support of financial backers while the third has been sold to an outside team headed by Mr John Prideaux, a former managing director of British Rail's InterCity operations.

Angel Contracts, which made a pre-tax profit of £107m on turnover of £290m in the year ended March, has been bought for £672.5m by Prideaux & Associates; Babcock & Brown, a leasing and asset finance group; and Nomura International, the investment banking arm of Nomura Securities.

Eversholt, with profits of £111m on turnover of £240m, was bought for £580m by its management and a development capital consortium headed by Candover Partners. Porterbrook, with profits of £90m on turnover of £267m, was acquired for £527m by its managers and a consortium headed by Charterhouse Development Capital.

The sale price was higher than the £1bn-£1.5bn which many City observers had expected. Ministers suggested at one stage the trains were worth £3bn.

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Heads roll over wage deal in Germany

The highly generous accord has left companies aghast and baying for their negotiators' blood, writes Wolfgang Münchau in Frankfurt

It is rare that leading German industrialists publicly declare themselves the losers of a pay round, since wage agreements – like general elections – normally only ever know winners.

The industrialists' response to this year's ultra-generous accord in the Bavarian metal sector was markedly different. Companies even complained in their results statements about its negative effects, and one leading businessmen has admitted privately that the knives are out for those responsible for this "scandalous agreement".

The results of the internal warfare in the metal industry became apparent over the past few days. First came the resignation of Mr Dieter Kirchner as general secretary of Gesamtmetall, the metal employers' association, followed this week by an announcement that Mr Hans-Joachim Gottschol would not seek another term as president.

The crisis within the ranks of Gesamtmetall, which has 15 regional affiliates and a membership base of 8,400 companies, contrasts starkly with the discipline evident among the ranks of IG Metall, the engineering union.

Mr Klaus Zwickel, IG Metall's president, last week succeeded in persuading his annual congress in Berlin to accept a radical departure from traditional policy, when he won support for a zero-wage round in 1997 in real terms if employers committed themselves to hiring an extra 300,000 workers.

Mr Zwickel is seen as an astute tactician, and his initiative became an immediate public relations triumph. Chancellor Helmut Kohl, not normally one to applaud trade unions, thought it a good idea, and so did many employers.

It was also a significant departure in substance because IG Metall accepted publicly the notion of a link between real wages and unemployment. At a single stroke, the union gave itself an image more in tune with public sentiment than that of its counterparts.

Gesamtmetall's president Hans-Joachim Gottschol has announced this week that he will not stand again

IG Metall's president Klaus Zwickel scored a public relations triumph with his pay and jobs proposal for 1997

The fall of Mr Gottschol marks an object lesson in German industrial relations, since it underlines that confrontational strategies fail if they are not backed up by a commitment and an organisation to see them through. Metal industry employers lack both.

Mr Zwickel reacted to his opponents' resignation by saying "he failed because of a short-term and inflexible policy". More significantly, this view is also shared – privately – by many employers. course.

Mr Gottschol's appointment in 1991 was driven largely by the Mittelstand, Germany's medium-sized company sector, which tends to be more militant in its industrial relations attitudes than large companies, and which felt its interests had not been represented adequately. With Mr Gottschol, the angry Mittelstand got a more confrontational strategy, but one that backfired.

One of the incidences of ill-fated employer militancy came in 1993, when Gesamtmetall unilaterally cancelled an agreement to equalise east and west German wages over several years. IG Metall called a strika, and the employers climbed down.

The same pattern occurred in this year's metal industry wage round in Bavaria. It began with tough demands by Gesamtmetall for significant cuts in income, particularly in special bonus and holiday pay.

The resulting strika by IG Metall, for which the Bavarian metal industry was ill-prepared, has led to one of the most generous wage agreements in a generation. The union managed to secure a 3.4 per cent rise in wages from May 1, followed by an extra 3.6 per cent from November 1 until the end of 1996.

All this happened in a year when prices were virtually stable, the exchange rate appreciated heavily against the dollar, the lira and the pound, and when, as a result of a previous wage agreement, the industry adopted the 35-hour working week.

Gesamtmetall has now gone back to square one with the reappointment as president of Mr Werner Stumpfe, who was Mr Gottschol's predecessor.

Mr Stumpfe headed the organisation from 1985 to 1991, a period during which the industry enjoyed an unusual degree of industrial peace.

Mr Zwickel of the IG Metall this week called his future opponent a man of "great negotiating skill", a commant which has caused a good deal of concern among employers.

The appointment of Mr Stumpfe, which will take effect in the middle of next year, has also been met with some outspoken scepticism.

Germany's rightwing Frankfurter Allgemeine Zeitung commented that "Stumpfe counts as a man of compromise.... but the reconciliatory optimism could prove deceptive. The crisis of the federation is not solved".

At least Gesamtmetall has drawn one lesson from this dabacle. It has promised to turn the position of president into a full-time job.

Belgian bank accused of tax offences

By Emma Tucker and Caroline Southey in Brussels and Andrew Jack in Paris

The Belgian prosecutor's office has accused Anhyp, an Antwerp-based mortgage bank, of helping clients to avoid paying tax at a cost of BFr3bn ($100m) to the state in tax revenue.

The judicial authorities say the bank, which was raided a few weeks ago, gave advice to some 60 clients between 1990 and 1992 that enabled them to avoid taxes via a Luxembourg subsidiary. The Belgian subsidiaries of French banks Paribas and Crédit Lyonnais are accused of similar activities.

The prosecutor's office described the case, which is likely to have reverberations across Belgium's banking community, as "the most important fiscal fraud case" ever to come before it. But it is unclear whether the banks were acting illegally by exploiting a loophole, which has since been closed.

Several international banks claimed yesterday they were being victimised by the fiscal authorities. They stressed that the inquiries against them only concerned allegations relating to non-payment of stamp duty, and that the law was ambiguous about how the tax was applied. Paribas said it was "serene" about its position. And the head of Crédit Lyonnais Belgium said his bank had reached a binding settlement with the Belgian tax office in 1993 on stamp duties, and it was this issue which was being unjustly reopened.

The case is being headed by Mr Jean-Claude Van Espen, the prosecuting magistrate who led investigations into Mr Didier Pineau-Valencienne, chairman of the French group Schneider, over fraud relating to two Belgian subsidiaries of the electrical engineering group.

Mr Jean-Luc Dehaene, the Belgian prime minister, has identified tackling tax avoidance as a priority in the government's battle to reduce its runaway budget deficit.

News of the scale of the alleged tax evasion came amid strong rumours that Banque Bruxelles Lambert, one of Belgium's biggest, was on the verge of making a bid for Anhyp. BBL confirmed its interest but would not say whether a formal bid had been made.

Analysts believe Anhyp represents a good strategic move for BBL, a francophone bank, which wants to strengthen its presence in the northern Flemish region of Belgium.

Anhyp yesterday had no comment on the takeover, but responded angrily to the public release of the alleged tax evasion figures. "Anhyp is stupefied that secret information relating to this case has been unilaterally released before the case has been closed," it said.

Earlier this week Mr Carl Holsters, the recently appointed chairman of Anhyp, outlined the most pressing problems facing the Antwerp bank. These included exposure to French and Belgian land loans.

Azerbaijan poll marred by disputes

By Ina Sarikhani in Baku

Azerbaijan goes to the polls on Sunday in its first post-Soviet parliamentary elections amid allegations of electoral malpractice.

The elections have been called by President Haidar Aliyev, who has promised that the 125-seat Milli Majlis (state parliament) will have extensive powers, though he will choose ministers and have a veto over legislation.

However, supporters of the Iranian-backed Islamic party and the Russian-supported Communist party, both of which failed to register in time, are threatening to boycott the elections. And in a decision upheld by the Supreme Court last week, one of Azerbaijan's oldest parties Musavat (Equality), founded in 1912, has been banned from the polls on the grounds that it had forged its register of supporters.

Mr Arif Gajiyev, the party's secretary, said the allegations were "absurd". The court decision was not surprising since "because it is clear that in Azerbaijan (parliamentary) deputies will not be elected, but will be appointed by the heads of government."

The observer mission of the United Nations and the Organisation for Security and Co-operation in Europe said this week: "Some decisions to exclude candidates and parties are open to question." As Mr Michael Ox, the OSCE co-ordinator, describes the event as "a typical post-Soviet election".

Most observers think the New Azerbaijan Party (YAP), which has close links to Mr Aliyev and whose members include the speaker of the parliament, Mr Rasul Guliyev, will win 60 to 70 per cent of the vote. But the results will not be announced for up to 15 days after polling day, and there will then be run-off votes in seats where no party has an absolute majority in the first ballot.

Many of the eight parties seem to be standing on similar platforms – democratic progress, a free market economy and a strong national identity. The differences between the romantic folkloric Popular Front, the Motherland party's nationalistic appeal and The Azerbaijan National Independence party are more of style than of content.

US Ambassador Richard Kauzlarich said encouraging "the habit of democracy" was an important step for Azerbaijan's political and economic future. Foreign investors were likely to be attracted by a liberal political climate.

For the average Azeri, 70 years of Soviet rule and an as yet limited economic "feelgood factor" has not created a climate wholly favourable to democracy. The problem is summed up by one voter – "Our life is difficult, we have freedom, but wa don't know what to do with it."

Call for rate cut on French savings

By Andrew Jack in Paris

The head of one of France's largest banks yesterday called on the government to cut the interest rates paid on the two leading state-backed tax-free savings schemes and to cede control of them to the Bank of France.

Mr Etienne Pfimlin, chairman of Crédit Mutuel, the mutual banking network, said he agreed with demands from France's commercial banks that the interest rates should be cut on the Livret A and Livret Bleu schemes. These are managed by the state and used to fund public housing and similar projects.

He also argued that the rates, which are decided by the government, should be changed more frequently and determined by the monetary policy council of the Bank of France, which operates independently of the government.

Mr Pfimlin's request adds to growing pressure for reform of the two savings schemes, which have offered returns of tax-free interest of 4.5 per cent a year since 1986.

This has become increasingly attractive as tax has been levied on other forms of investments that were previously exempt. The high rates have also helped encourage the public to avoid the equity markets and other riskier forms of investment.

Mr Pfimlin said he would be happy with an initial reduction of 0.5 percentage points to 4 per cent. He said calls for a cut of 1.5 percentage points were excessive.

Private sector banks in France have long attacked the two state savings schemes as distorting the country's financial market, but Mr Pfimlin's demand is more remarkable because Crédit Mutuel operates one of the two schemes, the Livret Bleu, which was created during the 1950s.

The other, the Livret A, is available through the French Post Office and the Caisse d'Epargne, the savings bank, the chairman of which has condemned calls for deregulation allowing all banks to be able to offer the service. He has warned that this restructuring would risk destroying the system of funding for low-cost housing.

Mr Pfimlin said allowing other banks to provida the scheme was not desirable, but argued that reducing the interest rate paid would not substantially reduce the amount of money deposited by the French public in the two schemes.

He said many people opened the accounts because they believed it was a safe way of saving and was not simply related to the rate of return.

Mr Jean Arthuis, the economics minister, earlier this week told French MPs he had no intention of lowering the rates payable on Livret A.

He said that he was considering gradually introducing a tax on the interest earned.

Stay-at-home EU banks puzzle Brussels

By Emma Tucker in Brussels

Two and a half years after the single market was opened, few banks are yet offaring their services across the European Union. Brussels is planning to ask them why.

It suspects member states are using domestic banking rules to keep out foreign banks, in breach of EU legislation. For example, a non-Belgian bank wanting to sell mortgages in Belgium has to follow domestic practice by drawing up a contract that allows early repayment. This deters banks from some other EU countries where early repayment is not necessarily an option.

In the Netherlands, domestic legislation outlaws door-to-door selling of banking services, even at the potential customer's specific request. And a bank wanting to sell services in France cannot simply sell through intermediaries but has to open a branch – a costly and complicated move.

The Commission has started legal proceedings against Belgium. "We believe it is unreasonable for Belgium to impose [an early repayment] clause," said an official. "It should simply be made clear to the client whether early repayment is allowed or not." Brussels officials said problems did not generally arise where banks had branches in other member states, but were more likely to occur where they wanted to sell services across borders.

The main obstacle appears to be one of legal uncertainty. "Interpretation of tha second banking directive [EU law] is so difficult that the banks prefer not to use the benefits of the single market. They don't like legal uncertainty," said an official.

Comments have been invited from banks and consumer representatives, and the Commission plans to use them to draw up a text clarifying the legal situation on the freedom to provide cross-border banking services.

Brussels does not believe its consultations with banks and consumers will necessarily lead to far-reaching changes in existing laws. "It is more a matter of clarification and putting pressure on the member states," said the official.

Similar problems of interpretation exist in other sectors of financial services, such as insurance and securities, but the Commission believes it is too early to launch similar consultations.

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EUROPEAN NEWS DIGEST

Bonn pledges to create jobs

The German government yesterday promised to draw up a comprehensive programme to boost growth and employment for presentation in January next year.

Speaking in the Bundestag debate on the 1996 federal budget, Mr Günter Rexrodt, the economics minister, said high unemployment was the biggest challenge facing the government.

In contrast to previous periods of economic growth, there had been no improvement in the German labour market in the two and a half years since the economy started to recover from recession. Earlier this week, the federal labour office reported a further increase in unemployment in October to 3.53m, or 9.2 per cent of the labour force.

Mr Rexrodt said Germany needed to break down rigidities in its economy that were impeding growth. He also called on employers and trade unions to create jobs through greater flexibility in wage structures and working conditions in collective bargaining agreements.

Although Mr Rexrodt's speech was short on detail, the government is expected to seek ways of reducing the cost of labour in Germany by attacking non-wage labour costs such as social security contributions. *Peter Norman, Bonn*

Staff unrest among the airlines

Scandinavian Airlines System (SAS) said yesterday that a strike affecting its Norwegian and Swedish cabin staff had been settled, ending a costly dispute that has severely disrupted the airline's Scandinavian and European traffic. But Air France cancelled a fifth of its flights yesterday as cabin crew began a three-day strike over wages for new recruits.

The agreement, which is retroactive to March 1 1995, gives cabin staff an average salary rise of 3.82 per cent over the next 18 months. The SAS strike was the latest in a series of labour disputes to hit SAS services and are believed to have cost the airline around SKr400m ($60m) this year.

The Air France strike also affected the state-owned airline's domestic arm, Air Inter, which cancelled 30 per cent of its flights. Two unions representing cabin staff called the strike to protest at cuts in starting wages proposed as part of a plan to boost productivity by 30 per cent in three years at the loss-making airline.

Meanwhile, Spain's national carrier, Iberia, said 60 per cent of its flights will be cancelled today because of a strike by pilots. The pilots plan to strike again on November 13 and 14. *Christopher Brown-Humes, Stockholm, and Agencies*

Italian tax police chief is jailed

General Giuseppe Cerciello of the Guardia di Finanza, Italy's financial police, was yesterday sentenced to four years imprisonment by a Brescia court for taking bribes from companies in return for lenient inspections of their balance sheets.

The trial involving 49 persons, members of the Guardia di Finanza and businessmen, exposed systematic abuse of the the Guardia's considerable powers of financial inspection.

In only a quarter of the cases did the court find that the businessmen handed over money against their will. Companies have consistently claimed they were blackmailed into paying bribes to politicians and officials. The same Guardia di Finanza inquiry led to charges being brought against Mr Silvio Berlusconi, the former prime minister, for allowing bribes to be paid to soften inspections of the books of companies in his Fininvest group. Mr Berlusconi is due to stand trial for this in January. *Robert Graham, Rome*

Schneiders to appeal extradition

Lawyers for Mr Jürgen Schneider and his wife Claudia say they will appeal against a decision by a US judge ordering their extradition to Germany to face criminal charges stemming from the collapse of their property empire.

The judge ordered the extradition after a day-long hearing on Wednesday in Miami, where the Schneiders have been held since their arrest last May. Until April 1994, Mr Schneider was Germany's biggest property developer, but after negotiations failed with his major creditor, Deutsche Bank, he was declared bankrupt. The Schneiders went into hiding in the US and German criminal charges were filed against them alleging bankruptcy fraud. Mr Schneider was also charged with forgery.

The judge refused to allow Mr Schneider's lawyer to argue the merits of the charges against his clients. "This is not the trial of the Schneiders," he said. *Henry Hamman, Miami*

US push for progress on Balkans

Mr Warren Christopher, the US secretary of state, will travel to Dayton, Ohio, today in the hope of accelerating progress in the talks between the governments of Serbia, Croatia and Bosnia.

Mr Christopher's move follows signs that Bosnia's Moslem-led government and the Croats are inching towards an understanding on ways of shoring up their fragila partnership, which is one of the linchpins of US policy in region.

"When I get out there tomorrow, I hope that I can help them make some progress," the secretary of state said yesterday. "Frankly I'm encouraged that the parties are talking directly, dealing aggressively with the problems they face," he added.

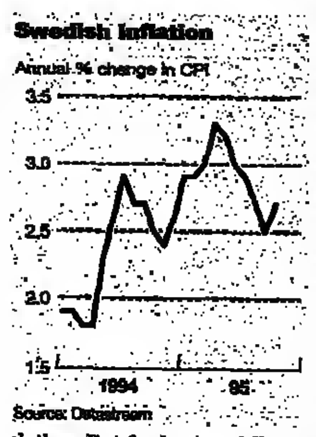
All the parties to the highly secretive talks at the Wright-Patterson air base in Dayton have agreed in principle that a future Bosnian state should be divided 49-51 between a Serb entity and a Croat-Moslem federation.

So far in the talks the US hosts have been working to ensure the removal of the current Bosnian Serb leadership, in favour of more moderate figures, and the reinforcement of the Croatian-Bosnian relationship which is clearly under strain.

Reports from Dayton suggest that some progress has made on the latter front, including an understanding on how to reconcila the Croat and Moslem communities in Mostar, scene of bitter fighting in 1993. Mostar's European Union administrators have been struggling for 18 months to overcome the city's partition. *Bruce Clark, Washington*

ECONOMIC WATCH

Swedish inflation rate rises



Sweden's annual inflation rate rose to 2.7 per cent in October, adding to market fears that the central bank may delay cutting short-term interest rates. The rise from 2.5 per cent in September came as the central bank governor, Mr Urban Bäckström, insisted the bank's inflation target was 2 per cent, rather than 3 per cent, which is its upper limit. Consumer prices rose 0.2 per cent between September and October, partly because of the removal of a state subsidy for housing repairs and partly because of higher prices for clothes. But food prices fell 0.2 per cent after a 7.2 per cent drop in fruit and vegetable prices. Market analysts had been expecting the central bank to cut its key lending rate, which stands just below 9 per cent, before the end of the year, partly because the recent strengthening of the krona has eased inflationary pressures. *Christopher Brown-Humes, Stockholm*

■ French industrial production rose 0.1 per cent in the second quarter after a rise of 1.2 per cent in the first quarter. Manufacturing output fell 0.8 per cent after a rise of 0.9 per cent, Insee, the national statistics institute, said.

■ Switzerland's unemployment rate stood at 4 per cent in October, unchanged from September.

NEWS: EUROPE

Russian moves to thwart communist poll victory

By Chrystia Freeland and John Thornhill in Moscow

Russia's parliament will today debate changes to the country's election law to head off a communist victory in the December 17 parliamentary elections.

The move is part of a broader attempt by Russia's political and economic élite to keep the communists out of power. It gained momentum yesterday when the Supreme Court asked the Constitutional Court to rule on the validity of the election law.

If the court declares the legislation to be unconstitutional, it will be impossible to vote for a new parliament until another election law has been passed.

Opposition parties, including the most popular reform group, have denounced the campaign – which includes proposals to have the elections declared invalid after they have taken place – as a threat to Russia's fragile democracy.

The campaign reflects mounting fears among Russian political and business leaders that communists and their nationalist allies could win an overwhelming victory.

Their worries have been exacerbated by a private poll for presidential officials which showed the Communist party with 15 per cent support – three times the level of its nearest rival.

Mr Ivan Rybkin, speaker of the lower house of parliament, said the legislature would today consider two amendments.

The first is a proposal to scrap the 5 per cent threshold which political parties must exceed in order to win any of the 225 seats distributed by proportional representation among the parties.

At least 40 parties are likely to contest the election, and dropping the threshold would allow a number of marginal parties to win seats, diluting the communist and nationalist presence.

The second proposed change is for a second round of voting between the two leading candidates in each constituency under the first-past-the-post system. This is seen as a way of uniting fragmented pro-government forces against the communists. If these changes are not adopted by the parliament, the elections could even be postponed.

"It is very possible that the elections will not take place as scheduled," said Mr Vladimir Shumeiko, chairman of the upper house of parliament. But Mr Shumeiko, who is allied to the president, said: "Nothing terrible will occur if the elections are postponed."

But opposition politicians said efforts to postpone the elections posed a danger to Russian democracy. "The democrats have two fights they must win," said Mr Grigory Yavlinsky, leader of Yabloko, Russia's most popular reform party. "The first is to ensure that the elections happen, and that will be a very tough struggle. Only then can we have the second fight over who will win the elections."

■ President Boris Yeltsin yesterday vetoed a law calling for Russia unilaterally to lift UN economic sanctions against Serbia.

Grigory Yavlinksy: called for the election to go ahead

The Russian parliamentary commission on the budget yesterday voted to recommend that the Duma approve the draft 1996 budget submitted by the government. Parliamentary debates on the budget are scheduled to begin on November 15, writes Chrystia Freeland.

Over the past few weeks the parliamentary commission and the government have been wrangling over the draft budget, which the cabinet is eager to push through before the elections. To do this, the government agreed to a slight increase in spending, bringing the target deficit to 3.85 per cent of GDP. Earlier, the monthly inflation estimate for 1996 was raised from 1.2 per cent to 1.9 per cent.

Romanian sell-off gets back on track

By Virginia Marsh in Bucharest

The television commercial shows a young man leaving home with his privatisation coupon. "Are you ready? He's ready," it says. "He also knows what he has to do. Subscriptions have started. The choice is yours."

Three years after embarking on its first privatisation scheme – which stalled amid a bitter political dispnte – Romania is having another go. The commercial, which appears after the main daily national news programme, is part of a foreign-funded, multi-million dollar campaign aimed at kick-starting public participation in the new mase privatisation programme.

Loosely modelled on the Czech Republic's voucher scheme, Romania's sell-off was due to start last autumn but was held up by delays in the country's fractious parliament. The aim is to privatise nearly 4,000 of the 5,000 companies still in state hands within the next year for a combination of privatisation coupons and cash.

The scheme, drawn up after pressure from the World Bank and other foreign lenders, is one of the most radical measures yet undertaken in Romania.

It replaces a 1991 privatisation scheme which aimed to sell off state companies mainly to investors for cash over a seven-year period. That scheme flopped after the victory of left-wing parties in the 1992 general elactions and since then just 1,300 mainly small companies bave been sold off, primarily through management and employee buyouts.

If successful, it will sharply reduce the state's control of industry – the ona part of the economy where it still enjoys almost total dominance.

By mid-1995 the private sector, which accounts for ebout 40 per cent of gross domestic product, was responsible for ebout 80 per cent of agricultural production and 44 per cent of services but just 12 per cent of industrial production.

At the end of the first half of 1995 the private sector accounted for 40 per cent of total GDP, up from 35 per cent at the end of 1994.

Free privatisation coupons with a nominal value of 975,000 lei (£270), the equivalent of more than four times the average net monthly wage, were distributed to some 17m adults over the summer. They have until New Year's Eve to use the coupons to bid for shares in companies.

Unlike the Czech scheme, coupons are non-transferable, limiting the role of brokers and investment funds to that part of the company that is to be sold for cash.

In the Czech Republic most citizens placed their coupons in a few hundred investment funds which then bid for blocks of shares, greatly simplifying the complex task of privatising thousands of companies at once.

The Romanian authorities decided against allowing coupon trading after a lively market developed in vouchers issued under the country's first privatisation scheme, devised by reformers in the first post-communist government. The present left-wing administration denounced such "wicked speculation" and launched investigations into many of the fledgling broking houses involved, even though trading in vouchers was permitted under the scheme.

This means individuals face the difficult task of choosing and bidding for companies from a list of nearly 4,000 state enterprises drawn from every sector of the economy. A vast array of businesses is on offer – from huge steel mills, aluminium smelters and oil refineries, employing thousands of workere, to furniture and clothing factories and street kiosks selling newspapers and fast food.

Such a choice is especially daunting in a country where, after four decades of communist rule, understanding of a market economy is limited. Nearly half the population lives in rural areas where most survive on subsistence farming in villages isolated by poor roads and communications. Ona opinion poll taken last year foond that only one in five Romanians knew what a share was.

Even those who understand the mass privatisation programme say it is difficult to maka investment decisions because of lack of information. The privatisation authorities have published a thick tome listing companies' basic data which can be consulted at 1,800 post offices and state banks around the country.

But this lists only the companies' field ofs activity, share capital, turnover and profit for 1994 and the size of the stake to be sold for coupons. It does not inclnde comparative figures from previous years while, for loss-making companies, a "0" has simply been entered in the profits column.

In theory, coupon bolders can telephone companies for further information. But dialling codes and numbers in the book are wrong – prefixes have been changed twice in the last three years – while many Romanians do not have telephones.

So far few Romanians have placed bids. At the office on Calea Mosilor, a bustling commercial street running through a large residential area in central Bucharest, fewer than 100 bids were entered in the three weeks after subscriptions opened in October.

Operators manning the capital's 10-line telephone information service said they received just 40-50 calls a day. Privatisation officials say interest will pick up as the publicity campaign gathers pace and the December 31 deadline nears.

At first many local newspapers denounced the scheme as a lottery which, in many cases, would do little more than transfer debts from state to privata ownership withont improving corporate governance or raising badly needed capital to modernise industry.

The World Bank and other international financial institutions warned it was over-complicated and would be difficult to implement. But now that the programme has started, both the press and foreign lenders are doing their best to make it work despite its many imperfections.

ROMANIA: GOING PRIVATE

Percentage of industry in the private sector

Sector	1st half 1994	1st half 1995
Retail	56.8	68.3
Construction	35.8	50.5
Investment	34.5	36.8
All services	48.3	44.9

Main companies privatised between 1993 and May 1995

Sector	Number privatised
Construction	199
Trade/retail	198
Agriculture	113
Other services	83
Food industry	80
Textiles	69
Road transport	51
Wood, cellulose, paper	39
Research and design	36
Advertising/media	31
Tourism and leisure	26
Exporting and importing	25

Total: 1,088: 25 large, 202 medium and 861 small

Source: National Statistics Commission; State Ownership Fund

Bucharest bourse set to reopen

Romania's first stock exchange in 50 years is to open for trading on November 20, after two years of delays, writes Virginia Marsh. The exchange is one of the last important free market institutions the country still lacks and is a condition of further adjustment loans from the World Bank and International Monetary Fund.

Exchange officials said yesterday 42 brokers had been licensed to deal on the bourse and that applications from 12 companies to be traded on the exchange had been approved. Of these, 11 are majority state-owned companies which have been partially privatised through public offers while the twelfth, Sanevit, e syringe manufacturer, is 100 per cent privately owned.

The opening of the exchange, which is to be boused in the central bank, and the development of capital markets are essential for the success of the mass privatisation scheme.

Italian MPs vote for system of utilities regulation

By Robert Graham in Rome

The Italian parliament yesterday agreed to the framework for a regulatory anthority for the utilities, removing the last big hurdle to the privatisation of Enel, the state electricity company, and Stet, the telecommunications group.

Mr Alberto Clo, the industry minister, described the vote in the chamber of deputies a "major reform" and said privatisation of Enel could begin between January and February 1996.

Stet is expected to take longer becanse the regulatory framework is more complex, with a separate body to control the telecoms sector.

But the government's optimism abont a speedy path towards privatisation was tempered by several deputies, who warned it could take three months to agree on who should run the regulatory authority and the process could be interrupted by the dissolution of parliament early in the new year.

The legislation has taken more than nine months to pass through parliament. It has been delayed by clever parliamentary obstructionism by the rightist National Alliance (AN) and the Reconstructed Communism (RC), formed from the hard line of the old Italian Communist party.

Both parties have sought to hold back privatisation of the main state assets and have been discreetly halped by e number of politicians in the centre.

The new law envisages a regulatory authority headed by a chairman and two deputies chosen for seven years, nominated by the head of state on the advice of the government. The choice must reflect the sentiment in parliament's industry commission.

They will in effect be "wise men" who will have some 80 staff at their disposal, plus external consultants where necessary. An initial budget of L20bn (£8m) has been set aside as for next year.

"It is a very sensitive task choosing these men," Mr Clo said. "They will have to be highly qualified because their job will be very delicate and require them to act with complete antonomy."

The main duties of the authority will be the award, monitoring and revision of electricity concessions, coupled with checks on service and pricing. The law recognises as crucial, from the experience of other countries, e proper system of monitoring tariffs that provide consumars with value for money.

Mr Clo said proposals for Enel's new concession had been drawn up and papers would be soon sent to tha anti-trust authority.

He said the government envisaged creating 74 concessions between Enel and municipal anthorities. He added that plans were at a very advanced staged for the reshaping of Enel's activities.

Motorola may build chip plant in Israel

By Julian Ozanne in Jerusalem

Motorola, the US electronics company, and Delco, an affiliate of General Motors, yesterday said that they were considering building a $1bn semiconductor plant in Israel. The companies' interest in Israel as a possible site follows last month's decision by Intel, the world's largest semiconductor manufacturer, to invest $1.6bn in a semiconductor plant in the country. Intel's planned plant, the country's largest single foreign investment, will be sited in the Negev desert in southern Israel.

Motorola, which has yet to make a final decision on location of the plant, said the factory would employ 900 workers and export $600m of goods a year by the second half of 1999 into the rapidly expanding global semi-conductor market which is expected to be worth $350bn by the year 2000.

Motorola has already set up a research laboratory in Israel to take advantage of the rich pool of Israeli engineering talent.

Discussions with the Treasury focused on the scope of a government grant Motorola rould expect if it builds a plant in "Development zone A". Under Israel's law for encouraging investment in designated development areas, away from the industrial heartlands of Tel Aviv and Haifa, the government awards grants of up to 38 per cent. Financing of the $608m grant for the Intel deal has yet to be agreed and the Treasury has said the grants will place severe stress on the budget. Mr Shochat said yesterday the government had told Motorola that because of budgetary problems Israel was considering reducing the extent of the grant to 30 per cent of total investment.

"It is great for Israel at this time that multinational companies continoe to come to Israel and are ready to invest here," he said.

Business meets to revive US-EU ties

Bold Americans contrast with reluctant Europeans as danger of stalemate emerges

Braving a threatened Spanish airline strike, 120 US and European industry leaders converge on Seville today to seek ways of making it easier to do business in each other's home markets.

The executives will discuss proposals for tackling obstacles to transatlantic trade and investment in areas such as standards, patent law and taxation. They aim to put a set of joint recommendations for action to next month's EU-US summit in Madrid.

This weekend's conference involves higher political stakes than is apparent from its largely technical subject matter. It offers what may be the last chance to breathe life into a flagging drive to strengthen and deepen US-EU relations.

The Madrid summit is supposed to cement this process. But having shelved the idea of a transatlantic free trade area, officials in Brussels and Washington have had difficulty identifying any other meaty or eye-catching initiatives for the leaders to bless next month.

Hopes of filling the political vacuum may now depend on this weekend's conference, convened by Sir Leon Brittan and Mr Martin Bangemann, Europe's trade and industry commissioners, and Mr Ron Brown, US commerce secretary. However, businessmen from either side of the Atlantic appear to be taking rather different approaches to the Seville meeting. US corporate executives have made clear that they see it as an important opportunity to influence policy and promote liberalisation across a broad front.

But although most of the political push for freer transatlantic trade and closer co-operation has come from Europe, many European business leaders appear nervous and defensive about this weekend's talks. Some say they want to avoid too free-ranging a debate and hope for an anodyne outcome.

However, failure to come up with any concrete results in Seville could be embarrassing, given the heavyweight status of the participants. All are chairmen, chief executives or main board directors. Their companies include Bethlehem Steel, Ford, Tenneco, TRW and Xerox of the US; BASF, Daimler-Benz and Siemens of Germany; BT and Rolls-Royce of Britain; Philips of the Netherlands; Fiat and Pirelli of Italy; Pechiney of France, and ABB, the Swedish-Swiss power engineering group.

But while the 80-strong European contingent is twice the size of the US team, some of its members are said to have been reluctant to take part. European preparations have also been marred by squabbling over the level of executives attending, and over whether umbrella bodies, snch as Unice, the European employers' federation, should be invited.

These contrasting attitudes are reflected in the rival agendas for the meeting. Many US recommendations are bolder, fuller and more detailed than those from Europe. For example US business wants immediate negotiations to speed US and EU tariff cuts agreed in the Uruguay Round world trade talks, and duties on a variety of products to be abolished by 1997. European industry offers no firm proposals.

The US side calls for joint efforts to secure global agreements on air cargo liberalisation, competition policy, trade and development aid, corporate bribery and the regulation of industrial product markets. The Europeans endorse, as a general principle, closer co-operation on multilateral trade policy, but suggest few specific policy initiatives.

There is more common ground on technical and product standards. Both sides favour increased reliance on international industry norms and mutual recognition of each other's standards.

They agree on the need to set international rules on direct investment, and to liberalise public procurement markets worldwide. They also call for the elimination of anomalies in copyright, patent protection and corporate taxation.

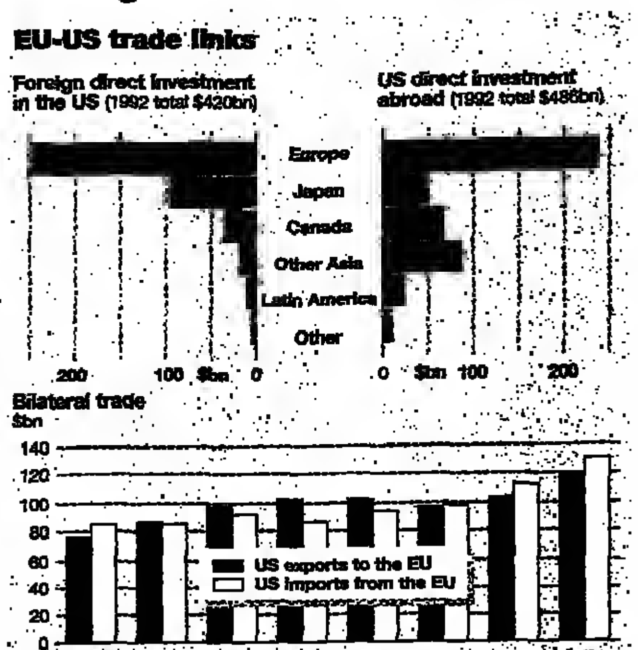
The most lively discussions are likely to be about how to reduce the discrimination each side claims to face in the other's market. The Europeans are particularly concerned by US use of national security provisions and Buy American laws to stop them bidding for contracts. A priority for US executives is to open wider protected European markets such as telecommunications, electricity, water and transport.

If the two sides agreed to back each other's demands, they could exert real pressure on governments to liberalise. But there is a risk that their discussions could dissolve into angry mutual recriminations, leading to a stalemate.

Since the talks are the first of their kind, it is difficult to predict what direction they will take – and whether they will help or hinder the search for closer co-operation.

Even optimists do not expect full agreement on everything. The best test of progress is likely to be whether the participants can agree on a joint communiqué containing real substance, and commit themselves to a solid programme of follow-up measures.

Guy de Jonquières and Lionel Barber



EU urged to press Beijing on copyrights

By Caroline Southey in Brussels

Music industry execntives yesterday accused China of failing to implement a global copyright pact and urged the European Commission to take a firmer stand against Beijing for failing to stamp out piracy.

Executives from EMI Music, MCA, Polygram, Sony Music, Warner and *Bertelsmann* Music Group took their case to Sir Leon Brittan, EU trade commissioner, as part of a campaign to implement the copyright pact. They also urged Sir Leon to press China for full market access during talks on Beijing's entry to the *World Trade Organisation*.

The copyright agreement was signed in February by the US and China after Washington threatened sanctions on $1bn worth of Chinese goods. The pact, aimed at curbing piracy of *compact* and laser discs and computer software, now also includes the European Union.

"Since the agreement piracy has been as bad as ever. Enforcement has only been sporadic. We want the Commission to take a harder line," *said Mr Nick. Garnett, director* general of the International Federation of the Phonographic Industry (IFPI).

Sir Leon told the delegation that the Commission also wished to see the agreement *respected, a Commission official* said. "Our approach to enforcement is to pursue the matter through multilateral channels and through providing funding and technical assistance to China," he said.

The Commission had already committed Ecu5m ($6.55m) to *help train anti-piracy officials*, he said.

The music industry's principal demands are:

- Installation of coding systems in factories to ensure that all CDs manufactured in *China carry* a *particular mark*, or SID code.
- Reorganisation of enforcement agencies to stamp out corruption.
- A ban on permits for reprodnction unless China's National Copyright Association, after referral to the IFPI, *has given the go-ahead for* a title verification.
- Full market access, including the right for foreign companies to distribute their recordings in China. The IFPI wants this to remain a non-negotiable *item on* the US *and EU* list of terms for China's accession to the WTO.

WORLD TRADE NEWS DIGEST

Canada invites helicopter bids

Canada's defence department plans to buy up to 15 search-and-rescue helicopters, two years after cancelling a much bigger order for the Anglo-Italian EH-101 aircraft.

Mr David Collenette, defence minister, said that Ottawa wanted to acquire "a Chevrolet instead of a Cadillac". The order is expected to be worth about C$600m (US$446m), compared to the roughly C$5bn price tag for the 50 EH-101s. He also said a decision would be taken within the next five months on replacing an ageing fleet of Sea King anti-submarine helicopters. That order, should it materialise, would be worth about C$2bn.

As part of the effort to save money, the new helicopters will have more modest capabilities than the Westland-Agusta EH-101. Westland-Agusta is expected to offer its Cormorant model for the search-and-rescue contract. The Cormorant is an "off-the-shelf" version of the EH-101, built to commercial rather than military standards. The Liberal government cancelled the EH-101 order shortly after taking office in 1993. It is understood to be close to a settlement with the Anglo-Italian consortium, which is likely to run to several hundred million dollars.

Other bidders are likely to include Boeing, Sikorsky and Bell Helicopter Textron, all of the US, as well as Eurocopter's Cougar. A Russian helicopter maker, Kamov, has also expressed interest. The contract is expected to be awarded in the second half of 1996. *Bernard Simon, Toronto*

Daewoo in India power plan

Daewoo Corp, the construction and trading arm of Daewoo Group, plans to spend $1.5bn building a thermal power station in India. The company hopes to obtain approval from the Indian government in the near future and start the construction during the first half of next year. Daewoo would run the 1,000MW power plant for 30 years and have an option to operate it for an additional 20 years or sell it. Madhya Pradesh Electricity Board will guarantee profits of 16 per cent of the annual investment by Daewoo on condition the operating rate is more than 68.5 per cent. *Reuter, Delhi*

Contracts and ventures

■ GEC Alsthom, the Anglo-French engineering and transport group, has won a Ecu255m ($340m) contract to supply 58 double-decker electric trains to SNCF, France's state-owned national railway system. The company, a joint venture between Alcatel Alsthom of France and GEC of the UK, said the order included an option for a further eight trains. *Delivery is due to start in September 1997. John Ridding, Paris*

■ The partners in Australia's North West Shelf liquefied natural gas project will sell an additional 500,000 tonnes annually to Japanese utilities. The deal, signed yesterday, will lift contracted sales of LNG from the project to 7.33m tonnes a year. The new contracts should boost export earnings by around A$120m (US$91m) a year. The NWS LNG project is owned equally by Woodside Petroleum, BHP Petroleum, BP Developments, Chevron Asiatic, Japan Australia LNG, and Shell Development. *Nikki Tait, Sydney*

■ Comair, the US Delta Airlines connector, has ordered 10 further Bombardier 50-seater Regional Jet aircraft worth nearly $200m. This brings Comair's firm orders to 19 RJs plus 25 options. *Robert Gibbens, Montreal*

Kohl eyes China business links


Kohl: military parade

By Michael Lindemann in Bonn

Chancellor Helmut Kohl of Germany departs on his fourth visit to China this weekend where he will again attend signing ceremonies for several contracts amounting to several billion D-Marks.

The emphasis, however, will be on extending Germany's long-term contacts with China including plans to sell the ICE high-speed train and co-operation ranging from telecommunications to energy supply.

Also included on this Asian trip will be his first visit to Vietnam and a stop in Singapore.

Travelling with Mr Kohl are 45 of Germany's leading industrialists from such companies as VW, Siemens, Krupp Hoesch, Bertelsmann and Lufthansa.

Three ministers – for economics, telecommunications and research and technology – will also be accompanying the delegation to discuss joint transport and infrastructure projects as part of Germany's plans to develop long-term co-operation with the Chinese. This process is being given considerable impetus by Mr Horst Teltschik, the chancellor's former adviser and now a board member at BMW.

Chancellor Kohl has also decided to visit the 196th infantry division, part of the 24th army group, making him the first western head of government to inspect a military unit since the Tiananmen Square killings in 1989.

There is also speculation, which has been steadfastly denied, that military ties between the two countries are to be upgraded following the recent visit of a state secretary from the Bonn defence ministry, the most senior such visit since 1989.

Trade with China is booming and has been helped by two high-level Chinese visits to Bonn in the last 18 months. The two exchanged goods worth about DM25bn ($17.6bn) last year but Germany is concerned that it is only China's fourth biggest trading partner.

While there are about 600 companies in which Germans have stakes, there is even greater concern in Bonn that Germany has only a 1.5 per cent share of direct investments in China, putting it in sixth place behind Hong Kong, Taiwan, the US, Japan and South Korea.

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NEWS: THE AMERICAS

Republican spotlight falls on Gingrich

By Jurek Martin in Washington

Gingrich: will he stand?

The Republican political spotlight was yesterday flickering more brigbtly on Congressman Newt Gingrich, the Speaker, following the decision of retired General Colin Powell not to seek the party's presidential nomination.

Mr Gingrich welcomed the news that Gen Powell was bacoming a ragistered Republican on tbe grounds that it showed the party was "a big tent" capable of harbouring different points of view.

But he offered various dates for his own decision whether to enter the Republican race to challenge the clear leader, Senator Bob Dole, the majority leader. He mentioned the Thanksgiving Day holiday in two weeks, the middle of December and the end of the budget confrontation with President *Bill Clinton*, now unlikely much before the end of the year.

Many of the other nine declared Repnblican candidates insisted that Gen Powell's noo-participation most benefited them. Senators Richard Lugar and Arlen Specter, both rank outsiders at this stage, insisted that they inherited the general's cloak of moderation and civility, though Mr Specter conceded he had run up a $500,000 campaign debt and was hard *pushed* to *continue*.

Senator Phil Gramm and Mr Pat Buchanan both saw the race now as a clear choice between Mr Dole and one of themselves as the conservative standard bearer. Mr Lamar Alexander, the former governor of Tennessee, claimed that he was now the only candidate who was not a career Washington insider.

Mr Buchanan, who thought Gen Powell's proto-candidacy had exposed Mr Dole's vulnerability, regretted that he would not have the opportunity to confront the General over his moderate beliefs. In fact, Gen Powell probably had the rightwing polemicist in mind when he answered with a flat "no" a question on whether he would snpport any Repnblican nominee next year.

But Mr Buchanan, citing both organisational and fundraising demands, said yesterday: "I don't think Newt's going to get in, it's too late on a lot of counts," an opinion shared by most commentators over the last 24 hours. Mr Alexander was also donbtful, joking that "Newt's already trying to be the speaker and the president at the same time."

But new polling evidence puts Mr Dole so far ahead of the present field that Mr Gingrich's hardcore conservative support may *press him to run. One survey* of Republicans out yesterday had the majority leader with over 40 per cent and no other candidate in double figures.

Most media comment regretted Gen Powell's decision not to seek tha presidency next year and some did not rule out, as he did, an appearance on the Dole ticket or a run for the White House in 2000. Several noted the precedent of Mr Dwight Eisenhower, the last general to become president, who turned down an approach from President Harry Truman in 1948 and won the election of 1952.

Editorial Comment, Page 13

Mexican currency falls to a fresh low

By Leslie Crawford in Mexico City

The Mexican currency tumbled to a fresh low yesterday as the central bank and finance ministry officials held emergency meetings to examine what measures could be taken to halt the speculative attacks against the peso.

The peso weakened to 8.30 against the dollar, its lowest level since Mexico's financial crisis began with a botched devaluation last December, before *rallying marginally to* 7.95 against the dollar at midday.

The currency was hit by the news that a group of Mexican exporters and big companies had abandoned a plan to create a $5bn fund to support the peso. "Other alternatives are being evalnated and it is hoped that conclusions will be reached in a few more days," the exporters said in a statement released through a public relations company.

Traders were also disappointed that the central bank, *with more than* $14bn of foreign currency reserves, had so far refused to intervene in support of the peso.

"The Bank of Mexico should have intervened two weeks ago when the currency started to weaken," said a senior banker in Mexico City. "It is frightening to see the peso collapse and to watch how the government freezes into inaction." He said confidence in President Ernesto Zedillo's economic team was waning.

The peso has failed to rally *in spite* of a stiff rise in interest rates this week to an annual rate of 54 per cent, or more than 10 percentage points above Mexico's anticipated inflation rate for the year.

Mr Carlos Diaz-LLadó, a senior partner at financial consultants Grupo Moneda, said the government had little option but to stay the course.

"Mexico's economic fundamentals are sound," he said. "There is no justification for the peso's weakness."

The peso has fallen almost 10 per cent since Wednesday morning amid a series of market rumours – strongly denied by officials – ranging from the imminent imposition of exchange controls to the resignation of top economic policymakers.

Government officials said their resolve had not weakened and that they would wait for the markets to calm down rather than be pushed into rash policy decisions.

Guatemala poll looks free, the choice less so

Old faces have taken the shine off first election since democracy was restored, writes **Edward Orlebar**

Whoever who wins Guatemala's presidential election this Sunday will, from January, lead the country's first government since 1960 that will have an end to the civil war clearly in sight.

The election is expected to be the country's freest since democracy was restored in 1986. It will be the first for 30 years not to suffer a boycott from leftwing guerrillas, who have declared a 14-day ceasefire to allow the poll to go ahead peacefully.

Yet enthusiasm for the poll – which will take place with congressional, departmental and mayoral elections – has been muted.

This is in part because the choice of 19 presidential candidates is confusing for the electorate, more than 40 per cent of which is illiterate. It is also that the line-up is littered with old discredited faces.

It includes a former defence minister who was fined in May by a US coort because of human rights abuses; three other generals; an ex-president of the supreme court who has spent much of his campaign in hiding to avoid arrest on corruption charges; a former foreign minister and alleged architect of numerous conp attempts; and an ex-attorney general, who was remanded in custody under the last government for allegedly swindling his aunt.

Mr Alvaro Arzú of the rightwing National Advancement party has enjoyed a lead in the opinion polls, not always reliable in Guatemala, for most of the campaign. However, the latest suggest he may not win the 50 per cent of the vote necessary to avoid a run-off on January 7.

Mr Arzú is a fair-haired, blue-eyed scion of a wealthy Guatemala family descended from Basque immigrants who date back to the 17th century. A former popular mayor of Guatemala City, in his younger days he was briefly a member of the National Liberation Movement, a fervent anti-communist party.

He has developed a more conciliatory discourse in an attempt to change the party's élitist urban image to give it broader appeal. One of his closest advisers, Mr Gustavo Porras, is an anthropologist, formerly in exile, who is believed responsible for Mr Arzú's strong statements against the racial discrimination that characterises much of Guatemalan society.

The Guatemalan Republican Front party of the former military leader, General Efraín Ríos-Montt, has shown strong gains in the polls in the last few weeks – promoting its candidate Mr Alfonso Portillo into second place.

The 69-year-old general, whose 17-month de facto rule in 1982-83 has been described as one of the most brutal periods in Guatemala's history, could not run himself because of a constitutional ban.

An ill-managed attempt to keep the job in the family by promoting his wife as a candidate also failed, after it was judged that she was also banned as the spouse of a former head of state.

Mr Portillo, who was until a few months ago a Christian Democrat congressman, taught Marx's Das Kapital as a leftwing university professor for eight years before a period in exile. In a party television advertisement, Gen Ríos encourages voters to support Mr Portillo because he shares his principles.

If he is to secure victory, Mr Portillo will need to achieve second place and forge an agreement with defeated candidates, for example the Christian Democrats, to garner the necessary support for the second round.

A leftwing coalition of unions and popular organisations, some of which are close to the guerrillas, has as its candidate a former central bank president, Mr Jorge Luis González del Valle, who has spent much of his professional life at the International Monetary Fund. Opinion polls suggest he has little chance of victory.

AMERICAN NEWS DIGEST

Van Gogh sold for $26.95m

After the great success of Christie's auction of Impressionist and modern art on Tuesday night, Sotheby's had a much harder time finding buyers yesterday. The 15 paintings collected by the late Joseph H. Hazen, the *Hollywood producer*, did extremely well, bringing in $51.8m, with only one unsold. But the general sale which followed was a disappointment, totalling $61.85m. for 73 lots, and with just 60 per cent sold by value.

Hazen provided the highlight, with $26.95m paid for a forest scene by Van Gogh, "Sous Bois" (The thicket). It was painted just one month before Van Gogh's suicide and is scarcely one of his greatest works. Sotheby's was expecting bids of around $10m, but two committed collectors chased each other up to the fourth highest price ever paid for the artist at auction.

There was then a sharp *fall to $6.6m paid for another Hazen* painting, "La Pipe" by Leger, while the same sum set the top bid in the general sale, for a portrait of a young peasant girl by Modigliani. Tha big disappointment was a collection of five Picassos and a Leger. Only one sold: a late Cubist Picasso of 1914 for $6.16m.

Antony Thorncroft, London

US wholesale prices decline

US wholesale prices fell unexpectedly in October, the government said yesterday, as food prices were steady, petrol prices slid and heating oil prices took their steepest plunge in almost four years.

The Labour Department said its producer price index fell 0.1 per cent last month after a 0.3 per cent increase in September. It was the third drop in five months and provided fresh evidence that *inflation* remains in check in the final months of this year. Prices of a variety of goods fell, including tobacco, fish and poultry. Vegetable prices showed the largest drop since January. Prices of raw materials rose, but at a slower pace. Car prices also increased. After factoring out food and energy costs, which can fluctuate widely, the closely-watched "core" PPI was steady last month *after rising* 0.2 per cent previously.

Reuter, Washington

Panday to be Trinidad premier

Mr Basdeo Panday, *a* 62-year-old lawyer and union leader, is to become Trinidad and Tobago's next prime minister, following an agreement between his United National Congress and a smaller party to break a tie in Monday's general election.

Mr Arthur Robinson, a former prime minister and leader of the National *Alliance* for Reconstruction, which won two seats in the election, says he will support a government headed by Mr Panday. The UNC and the incumbent People's National Movement each won 17 seats in the election.

In joining Mr Panday, Mr Robinson ignored an invitation from *Mr Patrick* Manning, the PNM leader and outgoing premier to discuss a possible coalition. *Canute James, Kingston*

Shell boosts pipe settlement

Shell Oil and Hoechst Celanese have added $100m to an $850m settlement fund for 6m householders in the southern US to replace leaking polybutylene plumbing systems.

The original deal, proposed in July, was offered as settlement for a class action in Tennessee. But the two companies faced a second, parallel class action in Alabama.

The move to increase the fund coincided *with the decision* by plaintiffs in Alabama to drop their case.

Shell said yesterday it also expected an agreement with DuPont, which would see tha company pay a share of the $950m settlement fund. DuPont was not part of the original settlement. However, like Hoechst, it made the raw material for the joints used in the faulty systems. Shell made the raw materials for the pipes.

Jenny Luesby, London

Tokyo to close ailing loan groups

By Gerard Baker in Tokyo

The Japanese finance ministry was said yesterday to be near finalising a plan to liquidate the country's seven ailing housing loan companies.

The Nihon Keizai Shimbun, Japan's leading business newspaper, reported the scheme would involve the country's banks writing off the companies' bad loans in the current financial year which ends next March. It could include the use of public funds.

The proposals mark the most important step yet in the resolution of the country's continuing financial crisis. If they are approved by banks and other financial institutions, they could be formally announced within the next month.

The housing loan companies are the most significant single headache facing Japan's banks. They were established in the 1970s to advance mortgage-backed loans to customers, but got carried away on a wave of property speculation in the 1980s and are now virtually bankrupt with bad loans of more than Y8,000bn (£49.2bn).

Their main creditors are the banks which established them and the nation'a agricultural co-operatives. Neither group is keen to take on alone the cost of liquidating them, a dispute at the heart of the problem.

The plan, as reported yesterday, calls for setting up a new company, financed largely by banks, but with the availability of some public money. This institution would take over the recoverable loans of the housing loan companies. Creditors, including the banks and agricultural co-operatives, would sell their claims to the new institution, which would dispose of the assets.

The bad loans would be handed back to the banks to be written off; the agricultural institutions would also have to shoulder some of the burden.

The bad loan write-offs are likely to result in losses for the leading banks in the current year, which will weaken their capital base. They will be allowed to replenish their capital by issuing preferred stock.

If the proposal is acceptable to the companies' creditors it will mark significant progress in the painful process of repairing Japan's damaged financial system. It was widely welcomed by industry observers.

"The resolution has come forward quickly, " said Mr Paul Heaton, analyst at Deutsche Morgan Grenfell in Tokyo, "thanks to the effect of the Daiwa scandal and tha Japan premium [an increased cost in borrowing abroad for domestic institutions]. It ie very positive for the banking sector."

Australia jobless rate in third rise

By Nikki Tait in Sydney

Australia's unemployment rate increased for the third consecutive month, to 8.7 per cent, in October, while the estimate of total employment fell by 33,700.

The data was significantly weaker than most economists had been predicting, and provided further evidence that the Australian economy may be slowing more sharply than many observers had assumed. Market estimates had been for a modest growth in jobs during the montb and small decline or, at worst, a static unemployment rate.

According to Bankers Trust, there have been only two previous occasions outside a recession when consecutive monthly falls in jobs have been recorded in Australia. The unemployment rate, at 8.5 per cent in September, has now risen for three consecutive months, something which last happened in mid-1992.

"An economy growing at 3.5 per cent surely cannot be generating such a weak labonr market. Accordingly, we need to reduce our growth forecast to somewbere close to 2.5 per cent," said Mr Chris Caton, chief economist.

Mr Paul Keating, Australia's prime minister, claimed the latest data was a temporary phenomenon: "What we've seen in the past is that whenever you see these large take-ups in employment, we've seen these pauses, until the economy catches its breath and moves along. At a 3-4 per cent clip, the economy is still going quite strongly."

With an election due within six months, the implications of the unemployment numbers are ambiguous. The rising jobless figure will give the opposition coalition scope for attack. "These are appalling figures," said Mr David Kemp, sbadow employment spokesman. "Mr Keating has achieved rising unemployment, rising inflation and rising foreign debt."

Japan's banks thrown up for grabs

Gerard Baker on the likely after-shocks of a Sumitomo-Daiwa merger

Like the volcanic topography that surrounds it, the landscape of Jspan's financial system is largely the product of periodic eruptions and earthquakes. This week the continuing after-shocks of the Daiwa Bank affair suggest the next big opheaval may already be in progress.

So far it seems one immediate effect will be the disappearance of Daiwa – likely to be merged with the larger Sumitomo Bank. This will create the biggest bank in the world. But the longer-term implications are more far-reaching and could result in the biggest upheaval of the system in the post-war period.

A Daiwa-Sumitomo merger would open up a rift among the country's hitherto roughly equal leading banks. The six largest city, or commercial, banks are remarkably similar in scale. By total assets they are all bunched between DKB at Y47,000bn ($453bn) and Mitsubishi at Y43,000bn.

But next year that cosy club is already set to be shattered. Mitsubishi will break from the pack by merging with Bank of Tokyo, which is in the next tier of financial institutions. The new bank will have assets of more than Y61,000bn. A Sumitomo/Daiwa bank, which would be about the same size, would put tha two merged companies in their own league. That would leave the other four former proud members of the Big Six – DKB, Sanwa, Sakura and Fuji – as a rather less impressive Middle Four.

That alone is incentive enough for them to search for partners. This week Tokyo has been alive with rumours of the big banks eyeing possible candidates. On Tuesday, Mr Toru Hashimoto, the head of the federation of bankers' associations and president of Fuji Bank, said consolidation was likely: "There is a possibility that the (Sumitomo/Daiwa) merger plan could trigger another merger and othar moves towards the industry's re-organisation."

But most intriguing is not simply which new alliances may form, bnt how those alliances could alter the contours of Japan's heavily regulated financial environment.

For most of the post-war period Japan's financial institutions have been rigidly segregated into their various specialist areas – city banks, long-term credit banks, trust banks, regional banks and brokers – all operated behind high regulatory walls. But in the last five years, through accident and design, those walls have started to crumble.

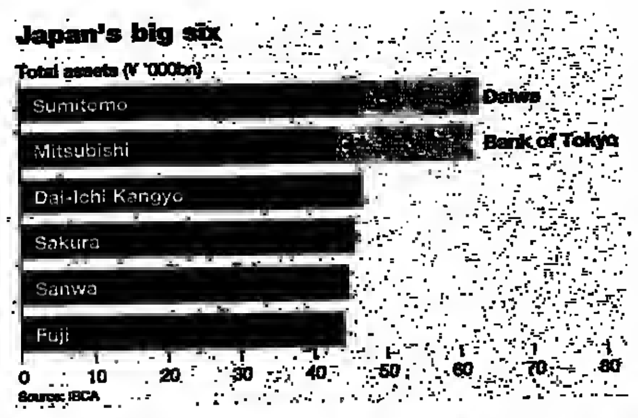
Two years ago the finance ministry gave banks the limited right to conduct securities business and permitted brokers some reciprocal banking rights. From latar this year city banks will be allowed to open trust bank subsidiaries which may engage in some parts of tha trust business, inclnding fund management and loan trusts.

Bnt that deregulation has been controlled, cautious and slow. Always anxious to avoid the risk of instability, the ministry has kept the pace of liberalisation in check. But now the unfolding crisis is forcing the pace.

Two years ago, Daiwa Bank itself was permitted to buy Cosmo Securities, an affiliated broker, which had fallen into financial difficulty. In the process it became the first bank to run a fully fledged broker. Then last year, a similar concession was granted to Mitsubishi Bank, when a related company, Nippon Trust, a trust bank, had to be rescued from near-collapse. Mitsubishi was allowed to continue the trust banking operations. Should Sumitomo buy Daiwa, it is virtually certain that it will be allowed to take over Daiwa'a own trust banking licence.

Whila the justification for thesa was that they were exceptional cases, the more such cases emerge the harder it becomes for the authorities to resist a wider breakdown of the regulatory barriers. In any case the ministry has little choice. It wants to hasten a consolidation of the banking sector and the only incentive it has to persuade banks to take over ailing institutions is that they will receive another licence.

"I think you will now see real movement towards consolidation, not between institutions of the same type, hut between institutions of different categories," said an official at one of the largest banks.



The likeliest territory for the next round of consolidation seems to be alliances between city banks and trust banks or long-term credit banks. All four footloose city banks have connections with trust banks already – Sanwa and DKB with Toyo Trust, Fuji with Yasuda Trust, and Sakura with Mitsui Trust. There are also links between the city banks and the long-term credit banks. DKB is the largest shareholder in both the Long-Term Credit Bank of Japan and Nippon Credit Bank. Sanwa too holds shares in both.

And there is an urgent incentive for the stronger banks to re-organise quickly. The finance ministry may yet prevail on the fittest to bail out the weakest. The sooner they can align themselves witb a less troubled partner, the less likely they are to face pressure from the authorities to launch the lifeboats.

The probable ontcome is the gradual evolution of the banking industry into four or five very large groups, which over time may even link up with securities companies.

Japan's financial institutions are already the largest in the world. That has not atopped them from getting into their current predicament. In the frenzy, there is a danger that the rather obvious question, whether they really need to get even higger, will not be asked.

Sri Lanka takes on 'horrendous burden' to push out the Tigers

Need to step up military operations will leave budget deficit of 9.3% of GDP, Mark Nicholson writes from Colombo

The single-mindedness of the Sri Lankan government in its military drive to evict the separatist Tamil Tigers from their Jaffna stronghold and the risks to this enterprise are evident in this week's budget.

What Mr G. Peiris, deputy finance minister, called the "compelling need to intensify military operations" will leave a budget deficit this year of 9.3 per cent of gross domestic product, against a targeted 7.5 per cent. High defence spending will keep the budgeted shortfall near 8 per cent next year, with Rs38bn ($719m) set aside for military costs (4.9 per cent of estimated 1996 GDP).

Two military campaigns against the Liberation Tigers of Tamil Eelam since summer, the latest a three-week-old push towards the Tiger-held Jaffna city, have placed what Mr Lakshman Kadirgamar, Sri Lanka's foreign minister, this week called a "horrendous burden" on the island's small economy.

"But," he said, "there are things you have to do, even if you can't quite afford them."

Sri Lanka can barely afford its latest war. Claiming no scope existed for deep spending cuts and that few other sources of revenue were available, Mr Peiris has banked on earning Rs21bn from state asset sales and other forms of "public sector reform" next year.

But, a Colombo-based economist said: "It depends almost entirely on privatisation proceeds. If they don't come through, it could be really explosive. The government would have no choice but printing money and inflation."

Raising such a sum from a privatisation programme which last year garnered just Rs2.6bn of a targeted Rs13bn will be difficult. The figure is almost twice that which the previous United National Party administration managed through its own state asset sales over five years between 1989 and 1994. The People's Alliance coalition government must also contend with likely union opposition to the sales, the danger of political opposition from leftist parties within the ruling coalition and a listless stock market currently devoid of buying interest.


A Sri Lankan soldier prepares to fire at Tamil rebels in a northern jungle village; it is a war Colombo can barely afford AP

There are other risks, military and political, to the government's expensive armed drive in the north. The first arises in actually securing Jaffna from the Tigers, the apparent goal of the offensive.

The broad political aim is to deprive the LTTE of its logistical base and the symbolism of holding territory in the name of a *de facto* Tamil homeland.

At the same time, President Chandrika Kumaratunge wants to persuade the LTTE and the island's Tamils in general that they have no option but to back devolution proposals tabled in August, while satisfying hard-line members of Sri Lanka's majority Sinhala population that she has done what she can to quash the LTTE as a military force.

The Sri Lankan army has been camped for more than a week on the outskirts of Jaffna city, moving forward cautiously, defusing mines laid by the Tigers. Entering Jaffna may be a political necessity, but military analysts believe a danger exists that the final thrust could incur far higher army casualties as troops encounter booby-traps and tough street-by-street fighting in a city the Tigers have held for more than four years.

Holding Jaffna could also be costly, leaving the army vulnerable to the guerrilla fighting at which the LTTE has shown it excels over the 12 years of the island's ethnic conflict.

Privatisation will have to work out or there is a danger of high inflation

There is also the question of whether, and how, the political benefits of a victory in Jaffna will actually infuse energy into Mrs Kumaratunge's ambitious devolution proposals, which would create a form of federalism giving Tamils in the north and east, and other regions in the island, elected Regional Councils with considerable governing autonomy.

These proposals need a two-thirds majority in parliament before moving to national referendum. Proponents of the devolution package suggest a notional timetable for the proposals which would see them debated in parliament in the first quarter of next year, voted on by April or May, leading, they hope, to the first regional council elections before the end of next year.

But while the far-reaching devolution proposals have secured support from Tamil and Moslem parties, the main opposition UNP has yet to offer the support Mrs Kumaratunge requires. Its leaders say the party is unlikely to back the proposals without significant amendments.

Neither is it clear that any military success in the north would necessarily spur their support. "At the moment, one can't see the political and military sides of the government's strategy coming together," says an independent political analyst in Colombo. "For the next few months, it seems both wheels will spin separately."

If so, then uncertainty may continue to cloud both Sri Lanka's political and security position for several months, even if the army plants a flag in the centre of Jaffna. Many economists, businessmen and certainly brokers on the Colombo stock exchange believe this will keep domestic and, particularly, foreign investors on the sidelines, where they have stood for much of this year.

That would bode ill for Mr Peiris' highly ambitious privatisation plan. "It's good that privatisation is finally gathering pace," says one Colombo equity analyst. "The trouble is it will keep hitting a brick wall of bad sentiment."

ASIA-PACIFIC NEWS DIGEST

Hyundai chief in probe over fund

South Korean prosecutors yesterday questioned the country's best known tycoon, Mr Chung Ju-yung, founder of the Hyundai Group, as they worked to discover the source of former president Roh Tae-woo's $650m slush funds.

The 79-year-old honorary chairman of the Hyundai empire, who is in fragile health, was supported by an aide as he walked into the prosecutor-general's office.

Mr Chung, a South Korean corporate icon, was an unsuccessful candidate in the 1992 presidential election when he set up his own party to challenge President Kim Young-sam. Later, he was given a suspended jail sentence for diverting his group's money to finance his campaign.

Prosecutors also questioned the former head of Ssangyong and heads of the Doosan, Haitai, Kolon, Kohap and Hyosung groups. *Reuter, Seoul*

Cambodian party launched

Cambodia's former finance minister, Mr Sam Rainsy, expelled from his political party and parliament earlier this year in retaliation for his tough anti-corruption stands, launched a new opposition political party yesterday.

The two deputy leaders of Mr Rainsy's new Khmer Nation party are defectors from the country's two ruling parties and Mr Rainsy said he expected more political leaders to follow suit in the run-up to Cambodia's next national election, scheduled for 1998.

The Cambodian government, under heavy international criticism for growing political intolerance, said it would do nothing to hinder the new party. But it claimed Mr Rainsy had not fulfilled all the legal requirements necessary to form a new party. Mr Rainsy said he had received warnings telling him not to form the party. *Ted Bardacke, Bangkok*

Plan for Mekong River area

The six countries of the Mekong River region said yesterday they planned to adopt more market-oriented reforms to attract foreign investors to the area running from China's Yunnan Province to southern Vietnam.

"It is evident the success of the project depends significantly on an open global trading system and the ability to attract capital from all parts of the world," Mr Sumet Tantivejkul, secretary-general of the National Economic and Social Development Board of Thailand, told a two-day conference on the project in Manila.

Besides China and Thailand, other countries involved in the project are Cambodia, Laos, Burma and Vietnam.

Mr Tantivejkul said maintaining realistic exchange rates, low inflation and budgetary discipline would enable the sub-region to reach its full potential.

Burma, Laos, Cambodia and Vietnam all appealed for more funds for the private and public sectors for transport, telecommunications and power projects in the growth areas. *Reuter, Manila*

Shell agrees Pearl River study

China Petroleum Development, part of the Royal Dutch/Shell group, yesterday signed a joint study agreement with the China National Offshore Oil Corp for a block in the Pearl River mouth basin, Shell officials said.

The block covers 25,000 sq km and waters ranging from 200-3,000 metres deep, one official said. This is the first time China has granted a block in water deeper than 200 metres.

The eight-month study includes technical, geological evaluation as well as engineering and development studies.

Mr Peter Burri, Shell Greater China managing director, said the venture was valued at "a few million dollars". Shell, which has a part of two wells now producing oil in the Pearl River mouth area off southern Guangdong Province, expects production from these will reach 100,000 barrels a day in 1998. *Reuter, Beijing*

Defiant Nigeria splits Commonwealth

By Michael Holman in Auckland

Delegates at the Commonwealth summit in Auckland, New Zealand, were last night uncertain and divided as to how to respond to Nigeria's eve of summit confirmation of *death sentences* passed on Mr Ken Saro-Wiwa and other minority rights campaigners.

The Commonwealth's three military regimes may be warned that they could risk suspension if they *fail to make* rapid progress to democracy, said diplomats.

All leaders agree thet measures designed to bring about an early return to civilian rule in Nigeria, Gambia and Sierra Leone are necessary but several have reservations about inclnding the threat of *expulsion from* the Commonwealth.

Details of what Chief Emeka Anyaoku, Commonwealth secretary general, yesterday called "an action plan" will be finalised when leaders attend tha traditional weekend retreat.

Measures being considered inclnde visa restrictions, regular reports on human rights ebuses, coupled with greater efforts to strengthen democratic institutions and assistance in transition programmes. Other possibilities being canvassed include a sports boycott bnt there is little snpport for economic sanctions of the sort employed against South Africa.

President Nelson Mandela, attending a *Commonwealth* summit for the first time, and *President Robert Mugabe of* Zimbabwe, are expected to play *leading roles in efforts* to persuade the Nigerian regime *to commute the sentences.*

But South Africans remain relnctant to threaten Nigeria with expulsion, arguing that it could be counter productive.

When ha arrived in Anckland last night, Mr Mandela refused to be drawn on what measures might be taken to bring about a reprieve for the condemned men, as well as shorten the three-year transition to civilian rula promised by Gen Sani Abacha, the country'a military leader.

"I am anxious to save lives," be said, but did not elaborate.

Although Nigeria is now the focus of Commonwealth *concerns*, the issue of French nnclear testing in the Pacific *may yet lead to sharp* exchanges between Britain and Australia when *the formal* sessions get under way behind closed doors after this morning's opening ceremony.

Mr John Major's robust defence of Britain's refusal to condemn France has been eccepted with unexpected equanimity by his host, Mr Jim Bolger, the New Zealand premier. But, traditionally, the host at summits plays the role of conciliator, and Mr Bolger may be leaving the tough talking to his regional neighbour, Australia.

Whether the conferance communique which will be issned at the end of the summit on Monday can accommodate the wide gap *between Britain* on the nne hand, and Australia, New Zealand and other Pacific Ocean countries is uncertain.

British officials have made it clear that they are prepared for a scrap between *Mr Major and* Mr Panl Keating, his combativa Anstralian counterpart.

"If someone wants a row, they'll get one," said a British official.

Britain is also prepared to stand isolated should Australia and other countries insist that the communiqne condemn French testing. "If that is the way the communique goes, we won't be associated with it," said the same official.

During the reviaw of international affairs that takes place today, Mr Major is anxious that discussion does not get bogged down in a *dispute over* nnclear *testing*, and will call for further measures to resolve the debt burden of developing countries, aupport *Commonwealth efforts* to combat money laundering and drug smuggling, and discuss ways in which international institutions, including the Unlted Natinns, can be reformed.

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Zimbabwe's President Mugabe is greeted by New Zealand premier Jim Bolger Reuter

Egypt private venture suffers forced-landing

James Whittington on how an airline went from profit to bankruptcy after the state stepped in

It has been a bad year for the owners of ZAS, once Egypt's largest and most successful private airline. After a bitter and controversial dispute over traffic rights with Cairo's aviation authorities and the national carrier Egypt Air, the company, publicly declared bankrupt last month, has wound down its business, dismissed its staff, and is seeking to clear outstanding debts by selling its remaining four aircraft, offices and other leftovers.

While there is nothing new about a small international airline collapsing under financial pressures, the circumstances surrounding ZAS's demise underline some of the difficulties faced by the private sector when it tries to compete with Egypt's huge state corporations.

It also serves to show why the public sector remains the dominant force in the Egyptian economy, in spite of four years of reforms – backed by the International Monetary Fund and World Bank – and an official commitment to privatisation.

ZAS (Zarkani Aviation Services) was set up as Egypt's first private airline by Mr Amir Zarkani and his two brothers, Sherif and Saud, in 1982 as a non-scheduled cargo carrier. As one of only two Egyptian airlines at the time, there was plenty of work to go round and it quickly expanded. In 1987, to keep up with the boom in tourist traffic, it won a licence to carry charter passengers to and from Europe. A year later, domestic flights began and then a number of Gulf routes were opened up. All permits were granted, however, with a warning that the airline should not compete directly with Egypt Air's scheduled flights.

At its peak in 1992, ZAS was making good profits from carrying about 4 per cent of Egypt's international passenger traffic and 11.5 per cent of domestic flights – compared with 35 per cent and 85 per cent respectively carried by Egypt Air. It employed 1,500 people and ran a fleet of 14 aircraft with an annual turnover of about $60m. In the same year it was featured in the local press as Egypt's private sector high flier.

In 1994, however, a year after Egypt's tourism sector was hit by the threat of Moslem militant attacks, the ground rules suddenly changed and ZAS found itself in increasing difficulties. The Zarkanis were accused of violating their licences and mismanaging the airline.

> Most observers blame Egypt Air's distaste for competition

On these grounds the Egyptian Civil Aviation Authority began preventing ZAS from using many of its foreign and domestic routes – starting with a ban on the use of Cairo airport. At the time, Mr Sayid Abdel Monsef, former chairman of the ECAA, said his job was to protect the national airline which was making huge losses – an accumulated $118m since the Gulf war in 1991.

By March of this year, the company had to close down. It sent back all aircraft it did not own and the Zarkanis stepped aside to allow their biggest creditors, the state's National Bank of Egypt, to take over.

With dispnted debts of between $50m and $90m, of which $40m is a loan from the National Bank, the original plan was to sell and re-launch the company. After no serious investors came forward over the summer, tbe bank announced an auction of the company's assets. By the end of the deadline for bids last week, however, virtually everything remains unsold. Meanwhile, the Zarkarni brothers have been banned from travelling abroad.

Because President Hosni Mnbarak, a former air force pilot, takes snch a close interest in aviation affairs and approves all senior appointments in state bodies, the ZAS affair is charged with political sensitivities.

"A taboo has grown up around ZAS because it's an embarrassment to those involved," says one observer. "What's worse is the problem won't go away. There is little appetite in the private sector to buy the aircraft and a question mark remains over tax and social security liabilities for anyone who buys the other assets."

Although most observers blame Egypt Air's distaste for competition, some argue that ZAS helped bring the case on itself.

"ZAS gave the rope to the government to put round its neck," says one big tour operator in Cairo. "Although the airline started off extremely well it became too pushy and arrogant. You don't do this if you want to be successful in the private sector in Egypt."

Meanwhile, Egypt Air has announced a big expansion plan to keep up with the recovery in tourism this year.

Morocco and EU near to trade accord

By Roula Khalaf in London and Caroline Southey in Brussels

EU member states yesterday inched closer to an association agreement with Morocco following last-minnte adjustments to the terms undar which agricultural products can enter the union.

EU foreign ministers will consider tha latest proposals at a specially convened meeting in Brussels today. A deal would end three years of negotiations and resolve objections by soma member states to concessions being offered to Morocco on cut flowers, tomatoes and sardines.

EU officials have warned that failure to reach agreement today could throw the association accord into question and jeopardise the Euro-Mediterranean *conference to be held in* Barcelona on November 27 and 28.

Association accords with countries on the sonthern flank of the Mediterranean are at the heart of the EU's strategy to enhance stability in that region. Only Tunisia and Israel *have so far reached deals* and getting Morocco on board has not been *easy*.

The EU Commission last month solved a six-month fishing dispute with Morocco which paved the way for an association deal aimed at promoting political co-operation and creating a free trade zone with the EU within 12 years. But foreign ministers from Belgium, the Netherlands, Portugal and Germany blocked the deal at a meeting 10 days ago.

EU officials were hopeful that concessions to Germany and the Netherlands on cut flowers, Portugal on sardines and Belgium on tomatoes would be sufficient to break the impasse.

"It is ridiculous that this agreement can be held up any further over sucb minor points," an EU official said.

Under the new deal Morocco would be allowed to export *5,000 tonnes of cut flowers. But* these could only enter the union between mid-October and mid-May and may be phased in over several years.

The compromise on tomatoes scraps a 10,000 tonnes allowance for April bnt increases the total Moroccan export allowance to 150,000 tonnes. This would be allowed to enter the union between the end of October and the end of March.

*The ministers are also expec*ted to agree to abolish tariffs *on canned sardines*. Portugal, which objected because of the effect it would have on local prodnction, is expected to be given a Commission commitment to help fishing industries affected by the deal.

EU-Moroccan ties reacbed their lowest point this year when the two parties failed to agree on a new fishing accord *allowing* up *to 750 EU fishing* boats, most of them Spanish, to continue to fish in Moroccan waters. While the EU and Morocco continned to negotiate in the last six months, the boats have been barred from Moroccan waters, putting in jeopardy 40,000 jobs in Spain.

The fishing eccord was supposed to be a side deal, negotiated separately. But so difficult were the negotiations and so *adamant were Rabat and Mad*rid that Brussels decided that the only way to get a deal was to link the two. Morocco could then give a little on fishing and make it up through better access for its farm products.

The fishing deal finally reached in late October seemed to satisfy both camps. Morocco had been seeking a cut of 65 per cent in the octopus, squid and shrimp caught by EU vessels and up to 50 per cent for other species.

Although details have not been made public, it is believed that the agreement provides for cuts up to 40 per cent in the first three categories and about 30 per cent for the rest. The EU's yearly financial contribution of Ecu102m (£85m) is expected to be raised by 20 to 30 per cent. Morocco also won a demand that, within four years, EU vessels land 30 per cent of their catches in Moroccan ports.

Panasonic in trailblazing union compact

By Robert Taylor, Employment Editor

Panasonic, the consumer electronics offshoot of Matsushita of Japan, yesterday reached agreement with European trade unions on creating a works council for all of its 10,000 employees across the continent.

This is the first such deal negotiated by a Japanese company based in Europe. "The agreement reflects our basic business philosophy of which colelctive wisdom is a basic prioiciple", said Mr Seinosuke Kuraku, the company's managing director in Europe.

Other transnationals from Japan are expected to follow Matsushita's example in response to the European Union's controversial legally enforceable directive.

This requires all companies employing more than a thousand workers, with 150 in at least two member states, to create transnational consultation and information bodies for their employees.

The new agreement will apply to all workers at Panasonic (including the 3,500 workers it employs in the UK) even though the UK has opted out of the works council directive after refusing to sign the social chapter of the 1991 Maastricht treaty.

Mr Charlie McKenzie, national officer with the British AEEU engineering workers' union who led the talks on behalf of the European Metalworkers Federation, welcomed the deal and said it was the first "legitimate" agreement reached with a Japanese company in Europe.

The unions refuse to accept the consultation forum established this year at Honda as a genuine works council.

Earlier this week GKN, one of Britain's largest engineering companies, negotiated a works council agreement with unions representing its 23,000 employees in Britain and the rest of Europe.

"The GKN decision will make a big impact on the rest of engineering in Britain", said Mr Peter Reid, European relations director at Britain's Engineering Employers' Federation. "They are a key company and the fact they are negotiated a works council will have a knock-on effect."

The federation plans a campaign early next year among its member companies which is designed to assist them on when to establish consultative works councils for their employees in line with the EU directive.

The EEF's move reflects the new pragmatic attitude of British employers to works councils after a long period of hostility and it suggests they no longer regard the UK's opt-out from the social chapter of the Maastricht treaty as an effective obstacle to the spread of company-wide information and consultation committees.

The high public profile by the EEF over works councils also follows the disclosure last night by Mr Reid that half a dozen other engineering companies in Britain are negotiating information and consultation committees for their employees while "a large number of others are actively considering" creating such bodies.

The EEF estimates that 66 of its UK members will be affected by the directive. Up to 1,000 subsidiaries in the UK owned by non-uk companies which belong to the EEF will also be covered by the directive despite the UK's opt-out from the directive under the social chapter of the 1991 Maastricht treaty.

The agreement reached at Electrolux, the Swedish white goods group, is held as a model by both employers and trade unions of what can be achieved.

Mr Reid said this had allayed earlier employer fears that the works council would be used by union militants to develop a European-wide collective bargaining system.

Airline-style leasing spreads to railways

By Charles Batchelor, Transport Correspondent

It took more than two years and approaches to more than 300 companies around the world to put together the £1.8bn ($2.8bn) deal which has transferred British Rail's rolling stock to the private sector.

For the government the sale of the three rolling stock leasing companies ("roscos") which own BR's 11,000 locomotives and carriages represents the first significant breakthrough in attempts to bring the rail network into private ownership.

"Leasing has revolutionised the financing of our airlines," said Sir George Young, transport secretary. "It is now set to do the same for our railways. From today we can expect open and imaginative competition to finance further investment in Britain's railways." The sale of the three roscos is intended to open new avenues of private sector funding and free the railway from the constraints imposed by the annual public sector finance round.

By dividing the BR fleet between three companies of similar size, the government hopes to inject competition not only into the financing of railway rolling stock but also into the way it is operated and maintained.

The roscos also overcome the problem caused by the mismatch of rolling stock life, with the seven-year terms which the government has said it is seeking for the franchises. Franchisees would be unwilling to buy new trains if they had to write off their costs over only seven years.

There is little doubt that investment in railways attracts customers. In the three years since British Rail modernised the Chiltern Line, which carries commuters from Aylesbury and High Wycombe into London, passenger numbers have risen by 60 per cent.

The Chiltern Line improvements – new rolling stock and signalling – were financed from revenues generated during the economic boom of the late 1980s. But all too often BR has had to put off investments in new rolling stock to fund long-delayed maintenance or upgrading in some other part of its ageing network.

With the average age of railway rolling stock at 17 years there are many lines which desperately need new trains. Gatwick Express carries visiting business people and holidaymakers into central London in as much style as it can manage with carriages which are 20 years old and locomotives approaching their 30th birthday.

By channelling ownership of the rolling stock through leasing companies, the government will relieve the lightly capitalised train operators from the burden of buying and upgrading their own trains.

But the government also expects the roscos to squeeze their maintenance costs by greater efficiencies. It has set a target of a 3 per cent reduction of maintenance costs in real terms each year, a goal which Mr Roger Mountford, the Hambros Bank director responsible for the sale, estimates will mean savings of £400m in the next eight to 10 years.

PORTERBROOK — ATC Angel Train Contracts — Eversholt LEASING

	PORTERBROOK	ANGEL	EVERSHOLT
Consortium	Charterhouse Capital Partners, management and employees	Prideaux & Associates, Babcock & Brown (UK), Nomura International	Candover, Electra Fleming, Alpinvest, Advent, B2W Private Equity, Gartmore, Royal Bank of Scotland, management and employees
Turnover	£267m	£290m	£240m
Profit before interest and tax	£90m	£107m	£111m
Average age of rolling stock	15 years	18 years	18 years
Bid	£527m	£672.5m	£580m*

*Including £80m dependent on delivery of new Networker trains. Source: Hambros

Fine of $126,000 appals fund manager

By Nicholas Denton in London

A private client fund manager which was yesterday given the largest fine issued by Imro this year has strongly criticised the way it regulates the investment management industry. Imro is the self-regulating organisation for fund managers.

Warne Investment & Financial Services, a London-based subsidiary of James Finlay, formally accepted eight charges that it breached Imro's rules and other guidelines, and agreed to pay the fine of £80,000 ($126,400).

But Warne, with £100m under management, said its customers – none of whom had complained – had been unnecessarily alarmed by Imro's heavy-handedness. "We are not rogues and yet we are being treated punitively," said Mr Bill Stevens, managing director.

Mr Stevens said Warne, which had set aside a provision of £25,000, had been "flabbergasted and outraged" at the £80,000 fine, which exceeded its annual profits. "They come along and they decimate you," he said.

Warne's main infraction arose out of its involvement as an underwriter in 1992 of a £20m rights issue by Burnfield, an engineering company. It sold Burnfield shares to 20 customers without informing them it was taking a profit on the transaction as well as underwriting commission.

Warne said it sold the shares at the market price and had not charged customers commission. But it accepted it had not made sufficiently clear its interest in the transaction.

Another charge relates to preferential treatment given to the wife of a director. Approximately £1,000 of shares in a new issue, which was oversubscribed, were allocated to her before other customers.

But financial services companies are increasingly complaining about the cost of complying with the comprehensive array of regulation intended to protect consumers.

Steel giant warns of threat from state aid to Irish rival

By Kevin Brown, Chief Political Correspondent

British Steel, a former state company, has warned ministers that it will probably have to close a plant in northern England with the loss of up to 1,000 jobs if the government fails to block proposals for EU aid to its tiny competitor in the Republic of Ireland.

British Steel told the trade and industry department in London before crucial European Union talks earlier this week that the proposed deal posed a serious threat to its medium section plant at Shelton.

The plant employs 400 workers and provides at least 600 jobs to local suppliers and hauliers. "We have told the government that Shelton will be in the front line if the [Irish] deal were to go through," a senior British Steel official said.

British Steel fears that ministers will be unable to resist pressure from Dublin to withdraw their objections to a deal which would provide a I£27m ($43.6m) subsidy to the troubled Irish Steel Company, which runs a single plant in County Cork in the south of the Republic.

The deal, which requires approval from the EU council of ministers, is intended to repair the company's finances ahead of its sale for a nominal £1 to the Indian company Ispat International.

The proposal is opposed by the British and Luxembourg governments, which have argued strongly for tough production limits to prevent Irish Steel expanding output at the expense of competitors in both countries.

Mr Tim Eggar, the British industry minister, refused to agree to the deal at the last EU industry council on Tuesday. But he is expected to hold further talks on production limits with the Irish government shortly.

Mrs Margaret Beckett, the opposition Labour party's shadow industry minister, claimed that the British government was considering "caving in" in the face of the Irish government's insistence that only higher production can save the Cork plant.

"The [British] government pays lip service to the need to improve UK competitiveness while it is apparently willing to sanction the subsidy of an uncompetitive steel plant," she said.

"Given that the international steel market is glutted, it makes no economic sense that the EU should be subsidising a steel plant whose record is one of a clear lack of competitiveness."

Mr Eggar has said he is hopeful that a deal can be reached before the next EU industry council next month. Irish ministers claim that the UK has failed to match Irish flexibility in negotiations through the EU.

Spanish incentives may woo English hi-tech company

Financial Times Reporters

Mr William Waldegrave, chief secretary to the Treasury, is to decide shortly whether to hand out a large slice of Britain's regional development budget to persuade one of the country's fastest growing technology companies not to build a new £100m ($157m) plant in Spain.

Privately owned Interconnection Systems, based in South Shields on Tyneside, is Britain's biggest maker of printed circuit boards for the electronics industry. It has applied to the Scottish Office for a £20m grant to site the plant in central Scotland, rather than build at the Andalucia science park in Málaga where the company has been offered the prospect of a grant at least twice the size.

The application has been sent to the Treasury because of its size. If it were granted, the sum would be one of the biggest handed out to a UK company for an expansion within a UK development area.

The decision over possible grant aid for the new plant – which could create 1,000 jobs – could come as soon as today.

Mr Ivan Bradbury, Interconnection's chairman and majority shareholder, has made clear he favours Spain. He may make the new plant the company's administrative and research headquarters – which would be a blow to the north-east after a wave of large projects including expansion by Fujitsu and Siemens.

Mr Felipe Romera, director-general of the Málaga science park – a joint venture between Andalucia's regional government and Málaga city – said incentives for the Málaga site were favourable compared with other EU locations.

هكذا من الأصل

Holiday authorities to capitalise on region poised to be 'driving force in world travel'

Tourism chiefs push 'lively' Britain in Asia

By Scheherazade Daneshkhu
Leisure Industries Correspondent

Britain is targeting tourists from Asia because the region "is poised to become the driving force in world travel," said Mr Anthony Sell, chief executive of the British Tourist Authority, which promotes Britain as a holiday destination.

"If we are to capitalise on the growth of Asia . . . we must make Britain appear more lively and exciting," he said. When Japanese tourists were asked by the authority's researchers to select the colours they associate with Britain, they chose grey for London's skies and brown for the country's old-fashioned sense of tradition and history.

International travel from South Korea, Taiwan, Thailand and Malaysia is growing at three times the world average. Some of this growth was reflected in a 15 per cent increase last year in the number of visitors – 1.4m – from the Far East to Britain. The amount they spent also increased, by 14 per cent to £1.1bn ($1.73bn).

Although the number of Far Eastern visitors accounted for only 7 per cent of the 21m tourists to Britain last year, the amount they spent comprised 11 per cent of the total of £9.9bn spent. Just under half those visiting Britain from Asia and the Far East are from Japan, followed by Hong Kong and India.

Britain's global share of the Asian market was being threatened by the growth of intra-Asian travel and by Australia, said Mr Sell. The increase in travel from the region is being fuelled by young people who account for 80 per cent of the outbound market and range from backpackers and language students to high-spending and successful careerists.

Success for Britain's drive into the area depended on marketing Britain as a fashionable place to visit and promoting London as a youthful and exciting city at the centre of design, fashion and live music. A poster campaign depicting pop star Fay Wong dressed as a Beefeater in a mini-skirt had been particularly successful in getting this message across, said the BTA.

The BTA is also appealing to the language school market by sending trade missions for language school operators, such as to Taiwan and Korea last year, to promote Britain as the prime educational destination in Europe and the best place in the world to learn English.

Mr Sell said it was important to target the first-time visitor to Europe by positioning London as the gateway to Europe from the Far East. "We are saying that we understand the first time traveller from the region may want to visit lots of cities in Europe but we want to make London the primary port of call."

More visitors from Asia

	Number of visits in 1994	Change in number on 1993	Change in spending on 1993
World	21,034	+8	+6
Japan	588	+20	+14
Hong Kong	151	+11	+8
India	128	+3	+46
S Korea	84	+22	+8
Singapore	84	+24	+55
Malaysia	78	+4	+36
Pakistan	56	+10	+33
Thailand	52	+2	+5
Taiwan	47	-10	-58

Source: British Tourist Authority

Fun city: Fay Wong dons a Beefeater's hat to persuade Hong Kong tourists that London is lively and exciting

Bank to re-examine Singapore accusation

THE BARINGS COLLAPSE

The Bank of England is to examine whether it was misled by Mr Peter Norris, former head of investment banking at Barings in the account he gave of events leading to the collapse, our Banking Editor writes. The Bank of England is the UK central bank, and Barings is the venerable merchant bank which collapsed in February.

Mr Brian Quinn, executive director of banking supervision at the Bank of England, said yesterday that it would examine the report of Singapore inspectors that accused Mr Norris of trying to hide discrepancies in the month before the collapse.

If Mr Norris were convicted of misleading Bank of England officials carrying out the UK Board of Banking Supervision inquiry, he could be jailed for up to six months. Mr Norris has strongly denied the Singapore accusations.

After the Singapore report was published last month, Mr Norris arranged a meeting with Mr Quinn and Mr Ian Watt, the head of special investigations at the Bank of England, at which he discussed discrepancies between the reports. Mr Norris is also thought to have then volunteered to be interviewed again. Although he was criticised in the UK report for failing to prevent the collapse, only the Singapore report accused him of participating in a cover-up.

Mr Nick Leeson, the former derivatives trader in Singapore who built up losses of £830m ($1.3bn) in a hidden trading account, is expected to be extradited to Singapore at the end of this month.

Mr Quinn said in a speech in Tokyo that the Bank of England would try to assess "in what particular respects additional lessons or conclusions can be drawn, either about the circumstances of the collapse or about the role of individuals".

The two former Barings executives singled out for criticism in the Singapore report were Mr Norris and Mr James Bax, the former head of its Singapore office. However, Mr Bax was not interviewed by the Bank of England, and is still in Singapore.

The transcripts of interviews given by Mr Norris to the Singapore inspectors in the UK were made available to the Board of Banking Supervision before it wrote its report. It also had affidavits given in Singapore by Mr Bax.

Mr Quinn also said in his speech to the Capital Markets Research Institute that depositors and investors had still failed to realise that a more competitive and open banking system carried greater risks of bank failures.

"Users of financial services appear still to believe they can enjoy greater choice and keener pricing that competition brings while avoiding the associated risks," he said. The "ultimate responsibility" lay with customers. He also said that regulators were blamed for all bank collapses despite the theoretical acceptance that some banks had to be allowed to fail. Supervisors needed help in the form of clear performance criteria.

UK NEWS DIGEST

Glaxo fails to restrict tax powers

Glaxo Wellcome, the global pharmaceuticals group, yesterday failed in a High Court attempt to restrict the powers of the UK Inland Revenue to collect back tax from multinational companies. Although Glaxo may appeal against the ruling the British government has signalled that as a result of such challenges it will change the law after the Budget to ensure that the Revenue's powers are protected.

The ruling does not mean Glaxo necessarily has to pay more tax – but that the Revenue has the right to go back over transactions in the past to see if the company has fairly allocated its taxable profits to the different countries in which it operates. Most analysts said that the tax issue did not appear to be a material concern as the company had already made provision for any tax charge. If Glaxo was eventually required to pay more UK tax it was also likely to be offset by a lower foreign tax charge.

"We are fully provided for. We have not relied on a positive outcome in this case when making our tax provision," said a spokesman. Glaxo Wellcome's share price closed down 18p at 857p on much larger than normal turnover.

The ruling marks a significant victory for the Revenue in its campaign to make sure that multi-national companies do not use "transfer pricing" arrangements to concentrate their profits in low tax countries. Transfer pricing is the mechanism whereby multinational groups calculate the cost of supplying goods and services to their own subsidiaries in different countries. Estimates of the amount underpaid to the UK by multinationals as a result of unfair transfer pricing has been put as high as £1bn to date.

Jim Kelly, Accountancy Correspondent

Row over Heathrow night flights plan

Opponents of the proposed fifth terminal at London's Heathrow airport yesterday produced a letter from British Airways to the Department of Transport requesting a 63 per cent increase in night flights.

Sir Colin Marshall, BA chairman, told the Terminal Five public inquiry this week that expansion at Heathrow could be achieved without any increase in night flights.

Mr Dermot Cox, chairman of the Heathrow Association for the Control of Aircraft Noise said: "Sir Colin's assurances about no increase in night flights have been shown to be worthless." Opponents of expansion at Heathrow say it would result in much more aircraft noise.

BA and BAA, the group which owns Heathrow, say the terminal, which will increase the airport's annual capacity from 50m to 80m passengers, will not result in any noise increase. They say the increased number of passengers will be carried in bigger and quieter planes.

Michael Skapinker, Aerospace Correspondent

British Gas quits quality award scheme

British Gas, the former state-owned utility, is to withdraw from the Charter Mark scheme, although it may continue to apply for the government-sponsored service quality award through four new divisions. The move was seized on by the company's critics yesterday as an indication that British Gas feared it would be stripped of the mark it was awarded in 1993 following a wave of complaints from customers. British Gas said it had restructured itself into four divisions and it was for them to decide whether to join the scheme.

In the two years since British Gas won the award, dissatisfaction with the company has soared. Last month the Gas Consumers' Council said that complaints about service had more than doubled in the first eight months of this year. British Gas blamed disruptions caused by the reorganisation and said steps had been taken to restore service levels.

David Lascelles, Resources Editor

Rivers watchdog head praises clean-up moves

The chairman of the National Rivers Authority, said yesterday that Britain's environmental initiatives and performance could qualify it for the title "the clean man of Europe".

Lord Crickhowell, the head of the environmental watchdog body, said that the UK's "honest and open approach" to implementing, enforcing and reporting on environmental legislation produced a more truthful picture of environmental performance than that presented by many other member states of the EU. But this was exploited by critics to create the false impression of a dirty nation.

Friends of the Earth said it "profoundly disagreed" with Lord Crickhowell's claim. "There were many countries in Europe taking a far more progressive approach than us," it said.

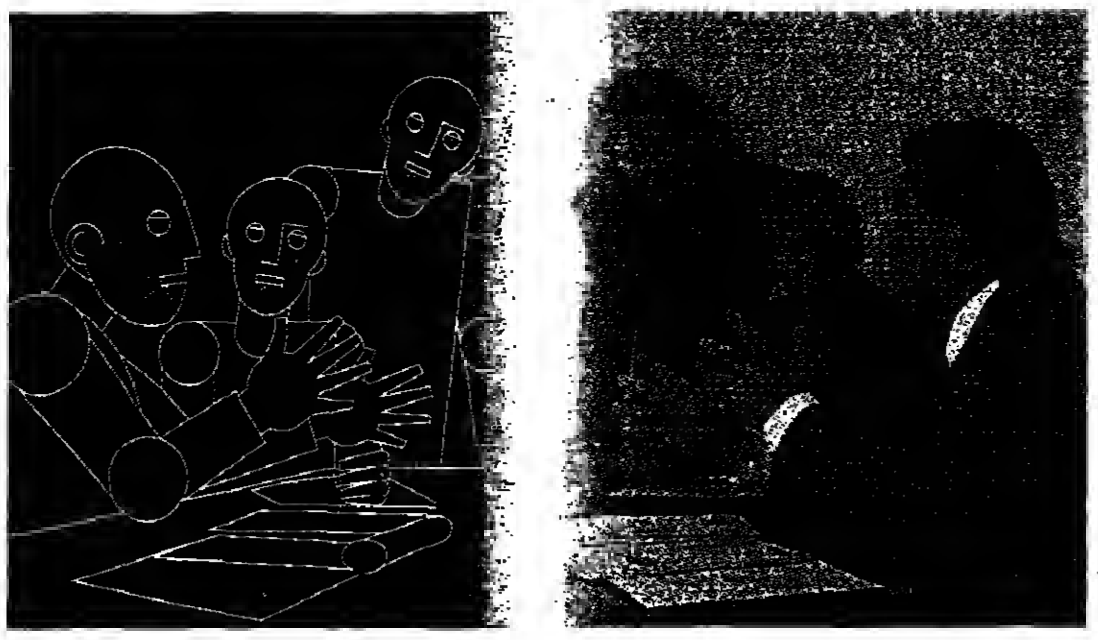
The UK has frequently been censured by the EU for the quality of its rivers and beaches.

David Lascelles

Nissan advertisement censured: The British subsidiary of Japanese car manufacturer Nissan was yesterday found guilty of giving misleading information in a newspaper advertisement. The company, based in Hertfordshire, was fined £2,000 ($3,140) and ordered to pay costs of £792 in what was believed to be the first trial of its kind brought under the UK's Consumer Protection legislation.

The case arose out of the company's advertisement in a newspaper last February which listed the Serena model at £13,415 in letters 36mm high. But print indicating there was a further £425 to pay for delivery charges was 1mm high at the bottom of the page.

After the case, Mr Gerrard Tyrrell, a lawyer for Nissan, said the magistrates' decision opened up wider issues on pricing for the whole of the motor industry and not just for Nissan.



In two minds

Christopher Lorenz on real versus 'virtual' co-location

Companies all over the western world have spent the last few years struggling to break down those barriers which bedevil relations between their specialist departments.

The initial impetus in the late 1980s was the Japanese-inspired need to slash their "time-to-market": the time and cost needed to develop new products and services. So most companies focused at first on trying to introduce multi-disciplinary teamwork to their product development processes. Since 1992, as part of the boom in "organisational re-engineering", they have been trying to introduce "process teams" much more extensively, to almost every area of their business.

But most big companies have learned through bitter experience that breaking down inter-departmental walls is far harder than it looks. In order to get them to work together as fully integrated teams, it has often meant bringing them together under a single manager on to one site – or even into one room.

This principle of "co-location" is as old as the hills in small companies, but fell out of use in large corporations as they grew and became departmentalised. Its popularity was revived as a result of research done in the late 1970s by Tom Allen of the Massachusetts Institute of Technology. He found that collaboration between specialists improved with close physical proximity; even if they were located on separate floors or in nearby buildings, let alone a few miles apart, it suffered considerably.

Outside Japan, pioneers of co-location include Deere and Co, the US farm equipment group. But recently many others have begun following suit, either putting a brake on the emergence of global development networks between their units around the world, or simplifying existing networks considerably. Last year Texas Instruments relocated several groups of engineers across Europe in order to reduce the number of sites having to work together remotely.

Physical co-location was a much-publicised aspect of this year's "globalisation" of Ford's organisation structure. It has involved moving more than 500 designers, engineers and managers across the Atlantic – mainly from the US to Europe – so that they could work much more closely with their colleagues. There have also been relocations within the US and Europe in order to get more people working cheek by jowl. For instance, people from several sites within Britain are being moved to a new £22m centre at Dunton, east of London.

It might seem paradoxical that companies are placing a renewed emphasis on physical co-location in this age of low-cost global electronic communication networks, when, at the touch of a button, individuals or groups of people can talk, see each other and work collaboratively on documents and drawings.

For speed and quality of decision making, it may be necessary to have very senior general managers working from the same base – especially if they have to spend over half their time travelling the world. But surely the same no longer applies to most corporate mortals, even if much of their work is now done in project teams.

The pros and cons of physical co-location versus what is becoming known in IT jargon as "virtual co-location" are examined in an article in the current issue of the US-based Design Management Journal*. In it, Farshad Rafii and Samuel Perkins of Babson College argue that recent experience with successful product development by globally distributed teams suggests that "the value of co-location may be greatly exaggerated".

The researchers are right that co-location is increasingly hard to achieve now that companies are involving suppliers, lead customers and other alliance partners more closely in their product development projects.

It is also the case that countless multinational companies, including Hewlett-Packard, Motorola, Digital and Ericsson, have reported striking improvements in their product development effectiveness from the use of various forms of electronic communication between sites.

But this is, at best, only half the story. What they do not point out is that many of the same companies have also put increased emphasis on co-locating selected people, and also on partitioning development projects more rigorously between sites around the world, so as to minimise unnecessary electronic communication. The truth is that physical co-location and the so-called "virtual" variety go hand in hand.

The most high-profile case at present is that of Ford. The keystone of the motor giant's reorganisation in January was the abolition of its separate geographic and functional empires on each side of the Atlantic.

Instead, it rammed them together, creating five separate "vehicle centres", each with near-global responsibility for different sizes of car and truck. Four are based in the US and one in Europe. Key people directly involved in developing products for one of the five centres have been "co-located" there.

Hence all the physical moves.

Yet, far from reducing electronic communication this co-location has actually increased it. The amount of transatlantic video-conferencing has doubled in the past 12 months, and a senior Ford executive says that overall there has been "a huge increase in telecommunications to support the new organisation".

One reason for this is the continued need to link product developers on one side of the Atlantic with sales and manufacturing people on the other. Another factor is that a relocated person brings all the useful contacts he had back home.

For all this, Ford executives say they are still finding the quality of face-to-face interaction higher than the electronic variety, even between people who know each other well. *In order to take particularly complex decisions*, the company still often flies groups of engineers across the Atlantic and locks them in a room for a week. "There's magic in working that way," says Roger Zauel, Ford's head of information systems.

This gets at a key point about team decision-making in large organisations – especially multinationals – which Rafii and Perkins ignore: that electronic communication is more suited to the transfer and processing of existing information than to the creation of new concepts and knowledge.

The Sony Walkman, the 3M Post-it note, and a thousand other innovations would never have been created – or developed effectively – unless the key people involved had been able to sit round a table and turn the germ of such concepts into concrete reality. Whether that co-location is permanent or temporary, no amount of "virtuality" can substitute for it.

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One step ahead of the works councils

Employers have found a provision in the EU directive which they intend to exploit, explains **Robert Taylor**

This week's creation of two Europe-wide works councils covering workers at GKN, the engineering group, and Japanese-owned Panasonic, suggests a growing number of employers have been swallowing their doubts about the controversial EU directive.

One reason, it seems, is that they recognise they can avoid what they see as its worst effects by exploiting a provision that lets them create consultation and information committees before the legislation comes into legal force next September.

Under the EU measure – which does not formally apply to UK employees as a result of the British government's opt-out from the social chapter of the Maastricht treaty – all transnational companies employing 1,000 workers with more than 150 in at least two member states of the European Economic Area have to set up a consultation and information committee under a detailed procedure after September 22 1996.

Despite the Maastricht opt-out, some British employers have been negotiating agreements on a voluntary basis. Eight deals have so far been reached, with talks going on at a further nine, and another 33 exist among foreign-owned companies that involve their UK employees. An estimated 108 UK-owned companies are expected to be covered eventually by the directive.

The current deals are being established under article 13 of the directive which says that if employers have created such a body in their establishments before September 22 (the official deadline for transposing the directive into national legislation) they will be exempt from any of the obligations contained in it.

According to some observers this may help explain why the initial total opposition to works councils among British employers has been replaced by a shrewder, *more careful and pragmatic*, approach. "A growing number of well-briefed employers have begun to realise just how flexible article 13 of the directive is for them," says Lord Wedderburn QC, the eminent labour lawyer.

Trade unions, the early works council enthusiasts, are privately becoming just a little concerned about what form the new bodies will take under article 13, which was included in the directive at the last minute at the behest of European employers.

"We want to get works councils which actually mean something to our members, by improving the flow of information to them and their chances of working together to influence management," says John Monks, the British TUC's general secretary this week. "It is going to take more than words on paper to do that."

Monks is anxious to see minimum standards for what would constitute good practice in voluntary works council agreements. But as many companies now realise under article 13 those works councils established before next September 22 do not have to take a particular form.

'Article 13 is a move of considerable political cunning which can enable companies to bypass trade unions if they want to in creating works councils'

"The directive gives companies the freedom to find the solution which suits their situation best," says Padraig Flynn, the EU's social affairs commissioner in the first issue of new works council bulletin* that starts this week.

Works councils so far agreed have been mainly in German and French-owned companies and have been modelled on existing consultative bodies in their own organisations at national level.

But enormous scope exists at present for management to take the initiative and create structures compatible with their own needs.

"Article 13 is a move of considerable political cunning which can enable companies to bypass trade unions if they want to in creating works councils," says Graham Mather, president of the European Policy Forum and a Conservative member of the European Parliament.

"If a company obtains an agreement covering the entire workforce before September 22 it will stand and no other obligations will apply," insists Flynn. "This is the political foundation stone of the directive and employers would never have accepted the directive without it."

Some legal experts believe agreements reached before that date may be challenged in the courts. But whether they would be successful is another matter. Nothing is explicitly set out in the directive to say whether such a works council must be either representative or free of employer influence. All it is required to do is "cover the entire workforce", be based on an agreement and provide for the transnational information and consultation of employees.

That said, the Engineering Employers Federation has just advised its affiliate firms that they would be advised "to reach agreement with existing employee representatives or representative structures" because "there is no legal security for voluntary agreements and the format, scope, content, signing parties etc could all be challenged at one point or another".

After September 22, when the directive comes into force with its more bureaucratic procedures, many companies may find the burdens onerous. This is why much of the legal advice going to employers now is: set up a works council before that date and avoid the possibility of future problems.

**Subscriptions can be obtained from Paul Joyce, Industrial Relations Services, 18-20 Highbury Place, London N5 1QP. Tel 0171 354 5858. Fax 0171 354 8106.*

ARTS

Jazz/Garry Booth

Coleman dispenses with convention

When Ornette Coleman's free-form jazz first hit the scene in the early Sixties, the poet and jazz critic Philip Larkin declared that the Texan tenorist and Miles Davis "stood in an evolutionary relation to each another, like green apples and stomach ache".

The most curmudgeonly of jazz critics never did come around to Miles but eventually found bimsalf seduced by Ornette's flowing confidence in abstraction.

Even now, even for the initiated, a Coleman performance takes some getting used to. His unothordox style – he terms it 'harmolodic' – dispenses with the conventions of jazz improvisation. Rhythm instruments play melody, lead instruments take up rhythmic roles and each inter-acts with the other without reference to chord change, chorus or key.

The technique was pioneered in small acoustic groups and has been applied since in orchestral settings – the composer's blues roots ever visible. But in his last, rare outings 65-year-old Coleman has concentrated on electric groups, notably the seven piece Prime Time band, a maelstrom of electric guitars, keyboard, electric and acoustic bass as well as tabla led percussion.

To deepen the delicious confusion, for the *Tone Dialing* tour (*Tone Dialing*, on Verve, is his first release in seven years), Coleman has turned the show into a multi-media event. At the Festival Hall on Wednesday, Prime Time included "harmolodic" dancers, rappers and scratch video too.

The resulting tableaux of sound and vision – a stage packed with video screens flashing pyschedelic images, cartwheeling dancers to the fore, glam female rapper Avenda Khadijan perorating stage left – is a feast for the senses.

Coleman, who manages to appear diffident despite his technicolor suit, sits implacable at the eye of the storm wielding alternatively plastic tenor, trumpet and fiddle.

With these tools he leads the deconstruction of almost every form of music – from street blues to hiphop, and crazed calypso to bebop.

At one point, a Bach prelude – Cello Suite No 1 – gets the treatment, Chris Rosenberg's solo guitar sequence unfurling gently to an explosive release from the full ensemble.

Coleman calls this harmolodic pop, and while *Tone Dialing* will not be troubling Radio 1 listeners, it is a welcome return for one of jazz music's greatest innovators.

Gung-ho girls: Myriam Cyr and Maryam d'Abo in Beth Hanley's play set in the American west. Alastair Muir

Theatre/Ian Shuttleworth

'Abundance'

Jeff Carpenter's 40ft cyclorama painting and Kevin Brown's Ry Cooder-like slide guitar music for *Abundance* placa the audience firmly in the land of the Big Sky from the moment they enter Riverside's Studio Two. But Beth Henley's play about two mail-order brides in the American west of the 1860s dwells more upon the protagonists' failure to attain such grandeur or any kind of fulfilment. The play itself, too, clatters around inside Henley's chosen themes and subject matter like a marble in an empty biscuit tin.

Bess Johnson and Macon Hill's lifelines cross in opposite directions. At their first meeting at a Wyoming staging post on their way to marry neighbouring pioneer farmers, Bess is a simple minded romantic, Macon feistily determined to reinvent herself as an adventurer. Neither gets her wish: Macon settles into moderate material comfort but a loveless marriage with a man whose Christmas present to her is a glass eye for himself. Bess, finding her husband dead, marries his brutish parasitical brother who smothers her hopes and joys with all the force of a steel cow pat.

Myriam Cyr is skilled at playing diffident types, but throughont the first act her Bess scarcely utters a line without either a gasp or a distressed tremolo. Maryam d'Abo as Macon likewise overdoes the gung-ho aspect in her first scenes (as she does the accent, cramming five vowel sounds into the word 'seen', but settles down as her life grows duller.

Herein lies one of the difficulties for director Lisa Forrell: Henley has written what is effectively a grinding hour-long prelude to tha final five minutes of the first act and the dramatic reversals of the second. Forrell's direction captures the agonised privation, both physical and emotional of those four years covered in act one, but cannot maka it an attractive proposition to watch, even with the periodic hints of greater preoccupations that come when a poetical phrase hursts forth from the otherwise mundane lines.

Bess's disappearance just before the interval and reappearance just after it, several years later after becoming the bride of a chief of the Oglala Sioux, fires the drama. The iron has entered her soul (as Macon, in her absence, has entered her marriage bed), and she sets out to peddle a version of her story which is not only sensationalised, but trades on Macon's old dreams of adventure. Even these developments are curiously lacking in engagement, illiciting a horror more intellectual than emotional. Henley's script nods towards the demonisation of the Indians in popular American mythology of the time; however, hy leaving Bess's betrayal of the Oglala implicit she not only avoids political worthiness bnt also sells the play's deeper content short.

The production's posters feature a blurb describing *Abundance* as "a theatrical Thelma and Louise". In fact, with its reversals of fortune, it is more like a 19th-century Plains States *Rich and Famous* but who remembers *Rich and Famous*?

At Riverside Studios, London W6, until December 3 (0181-741 2251).

Recital/David Murray

Finley and Rogers

Lovers of German *Lieder* are fanatical and severely judicial, and usually they flock to hear new *Liedersänger* who are rumoured to know what they're about. Not enough of them had guessed that Wednesday's Wigmore Hall concert might be something special, however, to fill the hall. The next time that Gerald Finley and Joan Rodgers sing a joint Hugo Wolf recital, one will need to book very promptly indeed.

What they were singing was Wolf's *Italienisches Liederbuch*, his final song-collection before tertiary syphilis finished him off in 1903, just before his 43rd birthday. It is not a "cycle", for the songs can be freely re-ordered (though "Auch kleine Dinge" must be kept as the prologue, and "Ich hab' in Penna" for a riotous finale); but like Wolf's Spanish song-book or his *Lieder* after Goethe and Mörike, these "Italian" settings share a particular consistency, tone and address – and a uniquely sophisticated mastery of the form.

They make a searching test for singers: nearly all love-songs, but variously rapt, playful, bitter or ironic. Most of them are gender-specific, so a mixed pair of singers and an intelligent, resourceful pianist are needed to survey them *in toto*; and they all need pretty good German, for Paul Heyse's artful translations from the plain Italian originals inspired Wolf to colloquial precision of a rare order. No other language will ever quite fit.

For a non-German audience, then, is this an "elitist" art-form? Not at all: following the German/English texts in your programme-book is just like watching a foreign film with snbtitles, though knowing soma German hasics is of course an advantage. Finley and Miss Rodgers know more than that, and they impersonated Wolf's imagined songsters – not a single pair, but many vividly distinct characters – with pointed insights and irrepressible verve.

Finley has come swiftly to international attention, above all in Mozart's baritone roles. We were familiar with his bright finesse in those; to Wolf's Italian vignettes, however, he brought out only a lively theatrical presence but a mercurial range of vocal character and feeling – sometimes an heroic timbre, elsewhere plaintive adolescence or breathless lovelorn rapture. It was a virtuoso display, utterly loyal to the music but sharply acted too: his lubricious monk in "Geselle, woll'n wir" was a delectable *Carry On* cameo.

Miss Rodgers' lovely soprano has been around for longer, but she has rarely been so rewardingly stretched as in these songs and this partnership. There were clear signs that she has studied the peerless Schwarzkopf model with profit; but she threw her own bewitching curve-balls in song after song: here a freshly tilted phrase, there a sudden fervent freeze, and always with an undercurrent of earthy realism.

One had to have some professional cavils. Finley seemed to think that his intense pianissimo would penetrate the hall, but often it dwindled into tonelessness; and from time to time Miss Rodgers' vocal manners suggested more gentility than was apt for these frank, exposed lyrics.

Their pianist Julius Drake, an equally imaginative partner, drew out some witty epilogues at leaden length, and smudged some of Wolf's luminous harmonic shifts with flabby fingers and a lazy pedal. But those are minor cavils: should these artists move on to Wolf's *Spanisches Liederbuch*, as surely they will, I wouldn't miss it for anything.

Operas that puzzle and bemuse

Visitors to the Bastille may he excused for thinking they have stumbled on a Broadway show. The stage encompasses a near-cinematic range of detail. The choreography is slick. The plot – an easy-to-follow story of good times and bad – culminates in a finale of tear-jerking sentimentality, and you leave the theatre humming the tunes.

All of which supposedly adds up to Weill's *The Rise and Fall of the City of Mahagonny*, making its debut at the Paris Opéra 65 years after the scandalous Leipzig premiere. The Opéra has gone out of its way to turn this key work of 20th century musical theatre into a popular spectacle, complete with scene-captions taped by one of France's best-known broadcasters, Patrick Poivre-d'Arvor. But the performance says less about Weill than about finding ways to fill the Bastilla's huge stage. Brecht's message about the triumph of money over morality is lost in an avalancha of effects.

So it is puzzling to discover that the staging is by Graham Vick, whose international reputation has rocketed these past few years. Of all British directors, Vick would seem most suited to *Mahagonny's* punchy polemics.

What he delivers instead is a sequence of energetic production numbers, with so many changes of costume and make-up that the evening drags on for three hours.

Judging by Maria Björnson's unit set – dominated by a cactus tree and cleverly lit by Thomas Webster – Mahagonny is situated somewhere between the Rockies and the Nevada desert. Tha tale of pleasure and penury is punctuated hy cartwheeling choreography, a cantering horse, extras practising golf and showgirls dressed as %ed Indians.

Worst of all is the finale, set amid the dressing-gowns, curlers and wheel-chairs of an old folks' home – a curious arena for capitalist brutality.

Only in the scenes of vulgar consumption – a Bosch-like canvas of burgers and brothels – does the work start to look subversive. And only when Vick hands the spotlight to the music, notably in tha Act 2 finale, does he get near the elusive core of this song-based social parable.

Vick has travelled far since be first staged *Mahagonny* in Florence five years ago. Is he so busy these days that he had no time to rethink his approach?

The show survives on the quality of the singing. Marie McLaughlin emerges as tha definitive Jenny, wafting the Alabama song up to the rafters in a sexy half-voice, handling her hig *Act 2* solo with the *sultry* warmth of a cabaret artiste, and offering a softer, more sympathetic characterisation than her Geneva performances in 1992.

Despite being saddled with an inappropriately masculine costume, Felicity Palmer's Begbick develops into a formidable mistress of ceremonies.

As Jim, Kim Begley lacks temperamental abandon, hut he sings and acts like a hero: Grimes, Florestan and Otello all came to mind. Begley is surely poised for the big-time.

The smaller roles are strongly cast, and the Opéra chorus sounds rejuveoated. Jeffrey Tate, darling of the Parisian music establishment, masters the jazzy overtones of the score, give or take a few *imprecise cues*. But the performers are all let down by a show which is more theatrical collage than didactic entertainment.

While *Mahagonny* preaches the sopremacy of money, *L'Italiana in Algeri* proclaims the triumph of love. In its latest Geneva incarnation, Rossini's early masterpiece makes a poor advertisement for the virtues of romance. The Grand Théâtre last heard this work in the mid-1980s, in a production which said more about Ken Russell's sexual fantasies than about Rossinian comedy. The new staging by Alain Marcel goes to the opposite extreme, with nothing funnier than some spaghetti-shaped costumes. Nor is there much levity in the pit, where the accompaniments of the Lausanna Chamher Orchestra under Jesus Lopez-Cobos are correct to a fault.

And it is a disturbing reflection on the principals if minor characters like Elvira and Taddeo (sung by Jeannette Fischer and Bruno Pratico) threaten to steal the show. Michele Pertusi's Mustafa is too bland for buffo role-playing, too evenly-vocalised to summon a commanding musical presence. In the tenor role, Rockwell Blake seems ever more inclined to confuse falsetto with bel canto.

The biggest disappointment is Jennifer Larmore's Isabella, whose stage manners are more suited to an American society belle than a mischievous Italian damsel.

She has the voice but not the variety of nuance; she looks pretty but lacks the sexy stage personality. Larmore's *strengths* are her *nobility*, her sumptuous timhre and easy coloratura – so it comes as no surprise that the great patriotic aria in the finale is her most successful, worthy to stand alongside her previous Geneva triumphs as Bellini's Romeo and Rossini's Angelina.

Andrew Clark

Theatre

Lonely Hearts Club

New plays by hitherto unknown playwrights seldom catch the popular imagination in the way that *Beautiful Thing*, by Jonathan Harvey, did in 1993-94. It was a neat slice of working-class social realism, as easy to watch and even more touching and funny than the best television soaps. Two adolescents came to terms with their homosexuality, and their families and neighbours did too. The ending was too rose-tinted: but never mind. Initially, the play was a hit at the Bush Theatre; next at the West Yorkshire Playhouse and at the Donmar Warehouse; then for several months in the West End.

Other plays by Harvey have been seen since then: *Babies* last year at the Royal Court, and *Boom Bang a Bang* earlier this year at the Bush. Now *Rupert Street Lonely Hearts Club* arrives at London's Donmar Warehouse, presented by English Touring Theatre and Manchester's Contact Theatre during a ten-week national tour, and it displays all Harvey's talent. Two of its five characters are gay; they, and at least two of the other characters, are preoccupied by the notion of love and the possibility of life without it; and any not-too-repressed observer of any sexual persuasion can enjoy this. The play is frequently hilarious; the setting is working-class; the characters are shown at peaks and lows of emotion; the language and themes are highly accessible.

Shaun and Marti, the central characters, are brothers. Shaun, aged 23, is straight and is badly missing his girlfriend Juliet. We find out that when he discovered, at the age of 16, that Marti was gay, he attacked him so violently as to put him in hospital. Now, however, he is becoming friends again with Marti, who is now aged 33 and leading a life of dark-room sex without emotional attachments. The play's two female characters are women who live in the same building: George (sic), a gauche but hearty English teacher who pursues Shaun while she is between boyfriends, and Clarine, a wonderfully daft woman with no other friends.

Harvey cannot, however, handle all that he tackles here. Act Two suddenly zooms into *great emotional rampages for* both brothers – climaxing in an exciting but unconvincing final suicide scene in which Marti bleeds to death while Shaun finds himself suddenly incapable of action and Clarine improbably becomes more practical than she has ever showed herself before. A pity. More important is the play's sheer vitality, and the excellent performances it receives in John Burgess's staging; especially those of Elizabeth Berrington as the guppy-like Clarine and Scot Williams as the vulnerable, defensive, confused Shaun. And the charity with which Harvey catches all his characters, eveo as he displays their ludicrous absurdities, is very fine indeed.

Alastair Macaulay

Donmar Warehouse, WC2, until November 25; then at the Gardner Centre, Brighton, until December 2.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Kim Kashkashian and Peter Nagy: the tenor violinist and pianist perform works by Bartók, Hindemith and Kurtág; 8.15pm; Nov 13
● Radio Filharmonisch Orkest: with conductor Hans Vonk performs Tchaikovsky's "Manfred Symphony"; 11am; Nov 12

DANCE
Het Muziektheater
Tel: 31-20-5518922
● Cullberg Ballet: the Swedish ballet company performs the choreographies "Pointless Pastures", "Grass" and "She was black" by Mats Ek, the youngest son of founder Brigit Cullberg; 8.15pm; Nov 11, 13, 15

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● The American Perspective: highlights from the collection of the Whitney Museum of American Art, together with a selection from the collection of the Stedelijk Museum. Twenty works by Edward Hopper are included in the exhibition; from Nov 18 to Jan 28

■ BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Carol Vaness: accompanied by the pianist Warren Jones. The soprano performs songs and arias by Rossini, Beethoven, Mozart and Strauss; 10pm; Nov 11

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Yorio Ikeya-Fuchino and Christian Peters: the pianist and saxophonist perform works by Matsushita, Koechlin, Charpentier, Schmitt, Scelsi and Debussy; 7.30pm; Nov 12

EXHIBITION
Neue Nationalgalerie
Tel: 49-30-2662655
● Cy Twombly: retrospective exhibition of works by this American painter who evolved an abstract style of "writings". Pencil marks with fragments of rectangles, numbers and words are drawn, scratched and crayoned over the canvas, reminiscent of works by Abstract Expressionists; to Nov 19

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Dia Walküre: by Wagner. Directed by Jiři Kout and performed by the Deutsche Oper Berlin. Soloists include Mark Lundberg, Matti Salminen, Robert Hale, Eva Marton and Karan Armstrong; 6pm; Nov 12

■ FLORENCE

CONCERT
Teatro Comunale
Tel: 39-55-211158
● Omaggio a Luciano Berio: concert to celebrate Berio's 70th birthday. Orchestra del Teatro Comunale di Firenze with conductor Semyon Bychkov and pianists Katia and Marielle Labèque perform works by Berio, Stockhausen, Kagel, Battistelli, Clementi, Stroppa and Castaldi; 8.30pm; Nov 11

■ HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe
Tel: 49-40-24862732/28
● Krieger des Jenseits – Die Grabarmee des Ersten Kaisers von China: exhibition of valuables from the tomb of China's First Emperor "Qin Shihuangdi". Exhibits include five terracotta warriors; to Nov 19 (Not Mon)

■ INDIANAPOLIS

EXHIBITION
Indianapolis Museum of Art Tel: 1-317-923-1331
● Places of Power and Objects of *Myth/Mystery-Photographs* by Corson Hirschfeld: works from the museum's African collection, works from the private Precolumbian collection of Bonnie and David Ross and contemporary photographs by the Cincinnati artist Hirschfeld who has traveled tha world photographing ancient sacred sites; to Nov 19

■ LILLE

OPERA
Théâtre Sebastopol
Tel: 33-20 57 15 47
● La Fille du Tambour Major: by Offenbach. Conducted by Gilles Nopre. Soloists include Alexise Yerna, Catherine Migeon, Jeanine Ribot and Jean-Marie Joye; 2.30pm; Nov 11, 12 (4pm)

■ LONDON

AUCTION
Sothebys; Parke Bernet & Co.
Tel: 44-171-4938080
● Auction: The Ritman Collection of Important Dutch 17th century Glass; Open: viewings 3 to 4 days prior to sale, Mon-Fri 9am-4pm, Sun noon-4pm, auction 10.30am; Nov 14

CONCERT
Barbican Hall Tel: 44-171-6388891
● Orff Centenary: Carmina Burana: the London Concert Orchestra with conductor Paul Wynne Griffiths, organist John Birch, soprano Judith Howarth, tenor Bonaventura Bottone and baritone William Dazeley perform the Carmina *Burana by Orff and works by Berlioz* and Saint-Saëns; 8pm; Nov 11

OPERA
London Coliseum
Tel: 44-171-8360111
● Tha Fairy Queen: by Purcell. Conducted by Nicholas Kok and performed by tha English National Opera. Soloists include Yvonne Kenny, Janis Kelly and Mary Hegarty; 7.30pm; Nov 11, 17, 21, 23 (6.30pm)

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Sir Colin Davis and violinist Midori perform Haydn's "Symphony No.72", Sibelius' "Violin Concerto" and Dvorák's "Symphony No.8"; 8pm; Nov 15, 16, 17, 18

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev; 8pm; Nov 11, 16

■ PARIS

DANCE
Opéra da Paris Bastille
Tel: 33-1 44 73 13 99
● Les Variations d'Ulysse: by Drouet. Choreography by Jean-Claude Gallotta, performed by the Ballet de l'Opéra National de Paris; 7.30pm; Nov 12, 15

EXHIBITION
***Fondation Cartier pour l'Art* Contemporain**
Tel: 33-1 42 18 56 50
● Marc Couturier au temple Toji à Kyoto: exhibition of drawinga that the French artist Marc Couturier made of his wrapping of the Toji-temple in Kyoto; to Nov 19

■ SAN FRANCISCO

EXHIBITION
California Plaza of the Legion of Honor Tel: 1-415-863-3330
● Picasso, the Sculptor: this exhibition of Picasso's sculptures celebrates the re-opening of the Legion of Honor. Some 15 works – some on loan from the Musée Picasso in Paris – comprise a mini-retrospective highlighting Picasso's accomplishments in this medium; from Nov 11 to Mar 10

■ STOCKHOLM

EXHIBITION
Moderna Museet Tel: 46-8-6664250
● Swedish Triennale: exhibition of new works by Swedish artists; to Nov 19

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Johannes Vermeer: retrospective exhibition of works by the Dutch painter. Only 35 paintings by Vermeer (1632-1675) are known. Twenty-one of them – from various collections – are brought together in this exhibition.
Eight of the shown paintings were recently restored; from Nov 12 to Feb 11

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Financial Times Business Tonight

Philip Stephens

Lost voice of business

John Major will soon find that Labour is the beneficiary if he tailors his European policies to the sceptics in his party

In the summer of 1990 an executive with one of Britain's biggest companies unwittingly predicted Margaret Thatcher's impending fall. The prime minister, he remarked, was wonderful. The Lawson boom aside, the government's economic policies had transformed the nation's prospects. He had never wavered in his support for Her revolution.

Then came the qualification, that damning "but". If Mrs Thatcher now sought disengagement from Europe, she would have to go. The corporate cheques upon which she relied to run election campaigns would be torn up. It was nothing personal, you understand. Strictly business. His company had operations across the continent. It must not be handicapped in the emerging single market. In the crude metaphor of the moment, British business could not be left in the slow lane of a two-speed Europe.

I suppose it was a conversation that scores of Tory MPs were having in boardrooms across the country in that free-wheeling, pre-Nolan, era. For when she uttered her defiant "No, No, No", a few months later, they unceremoniously ejected her from Downing Street. But I recall now this executive's unintended perspicacity to highlight the passive role which industry has since played in the political debate. The single market is becoming a fact of life and every month that passes adds to the entanglement of Britain's prosperity with that of its European partners. Yet business seems to have lost its voice.

To be fair, the Confederation of British Industry does occasionally enter the fray. This week the employers' organisation warned that the "shrill" debate within the Tory party threatened the country's economic interests. It backed up the warning with a survey showing that, while there is no great enthusiasm for being in the vanguard of a single European currency, there is overwhelming opposition to closing off the option.

By and large, though, the loudest voices have been those who have kept faith with Margaret Thatcher's Little England. Tycoons such as Lord Hanson have done little to hide their scepticism. From across the channel, Sir James Goldsmith promises to indulge his curious demand for a fortress Europe of nation states by fielding candidates at the election. Sir Alan Walters, another echo from the 1980s, is an early standard-bearer of an endeavour which will surely supplant the Maharishi Yogi's Natural Law Party in the affections of the electorate.

For John Major nothing would be so foolish as to imagine that most industrialists will acquiesce in such eccentricities. There is certainly a more critical mood. The Asian tigers are in fashion. And the the exchange rate mechanism taught industry that a stable currency does not come cost-free. Business has also been infected by the more general disenchantment with the European Union's institutional navel-gazing. But if the prime minister tailors his policy to the prejudices of his party's sceptics, he will discover soon enough that the Labour opposition is the principal beneficiary.

Tony Blair has seen the opportunity. Talk privately to the Labour leader and you will find that his self-conscious pro-Europeanism is not without caution. As has been said before in this column, he shares the view that the chances of Britain joining a single currency in 1999 are, at best, "remote". But the more the Tories speak the language of insular nationalism, the more determined he is to promote Labour as the party of Europe. It is a message he will take to the CBI's annual conference on Monday, one that he intends to emphasise time and again in his calculated courtship of the captains of industry.

The strategy is based on a simple political calculation. Anti-Brussels populism may well secure for the Conservatives the support of their hard-core supporters. But it once again leaves Labour occupying the political centre ground. It enhances Mr Blair's chances of winning respectable friends. He does not delude himself about securing the unequivocal backing of the nation's industrialists. But even their respect is a precious commodity. The election will be decided between those voters demanding change and those fearing it. If industry deems Labour "safe", then so too will the wider electorate.

Mr Blair, of course, starts with a serious handicap. Mr Major's opt-out from the social chapter has secured near-universal approval in the boardrooms. Labour would scrap it. But ask industrialists if they would prefer engagement in Europe, social chapter and all, to a Tory prospectus which threatened isolation, and, more often than not, Mr Blair wins the argument.

There are signs in Whitehall that the government sees the danger. The rhetorical lurch into the arms of the sceptics has been followed by some discreet but significant repositioning. Malcolm Rifkind explains that the sceptical tone of his first utterances as foreign secretary did not herald abandonment of his long-held conviction that Britain must swim in Europe's mainstream. Nor does he view his ambition for a transatlantic free-trade area as anything but an addition to the vital network of economic interests across the channel.

Mr Rifkind is certain that sterling will not be subsumed in a single currency before the turn of the century. But while Mr Major's aides suggest the prime minister will formally rule out the possibility in his election manifesto, the foreign secretary does not believe that the issue is worth another cabinet battle. And there would be an almighty battle. Whatever is said in 10 Downing Street, Michael Heseltine and Kenneth Clarke make no secret of their determination to hold the present, open-minded, line.

There are signs of realism too in the approach to next year's intergovernmental conference. Mr Rifkind has quietly dropped the suggestion that the government will seek to neutralise the authority of the European Court of Justice. In a meeting just days ago of the cabinet's European committee, there was widespread recognition also that Britain cannot circumvent the ambitions of its partners merely by pressing the case for the EU's rapid enlargement. Several senior ministers found it hard to divine how Poland's entry would pass Mr Rifkind's national-interest test. And for all the talk of radical reform of the common agricultural policy, here too realism about what can be achieved has begun to temper ambition.

Of course, with this government, one never knows how long any particular policy will last. Mr Major seems unwilling or unable to capitalise on his summer leadership victory. Perhaps we will have pragmatism in private and populism in public, Michael Heseltine's European vision on Mondays, Michael Portillo's on Tuesdays. Mr Blair meanwhile intends to go on winning friends in the boardroom.

> By and large, the loudest voices have been those who have kept faith with Margaret Thatcher's Little England

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Forecasting framework flexibility

From Mr Adam Cole.

Sir, Mr Kenneth Clarke, the UK chancellor, may have "won" the battle on whether or not interest rates needed to rise back in May, but without doubt the loser is not the Bank of England but the current policy framework.

Three months ago, the Bank still believed there was a case for a rise in interest rates because its early-1997 inflation forecast, at 2¾ per cent, was outside the government's inflation target range. Now, with the inflation forecast nudged down by less than ¼ per cent that case has apparently evaporated. The situation is compounded by the fact that we are not supposed to know what the Bank's inflation forecast is.

I'm sure I wasn't the only economist in the City poring over a chart barely bigger than a postage stamp trying to work out whether the two-year inflation forecast, published in Wednesday's Inflation Report, was 2.6 per cent or 2.7 per cent. A bizarre practice, given that the average forecasting error is 1¾ per cent.

This is not, of course, to criticise the Bank of England, which is merely following the mandate set for it by the government. For the current policy framework to work, we should at least know what the authorities think is happening to inflation. Forecasts published to the nearest ½ per cent would avoid spurious accuracy.

Better still, the Bank should be free to advise the chancellor within a more flexible framework. For the Bank's advice to have to change on the back of a forecast revision that is little more than one-tenth of the likely forecast error is preposterous.

Adam Cole,
UK economist,
James Capel & Co,
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US Treasuries market would be back in line when on a rise

From Mr Lawrence W. Harris III.

Sir, Your writer, Barry Riley, ends his useful summation of the present state of the market for US Treasuries ("US Treasuries enjoy an export boom", November 8) by stating that "sooner or later, markets will have to come back into line".

He does not state whether "back into line" implies a fall - or rise in the US Treasury market but he suggests that a fall in the market (ie, a rise in yields) is more likely because foreign central banks have been trying to uphold the US currency, a temporary phenomenon.

Perhaps in a later article, he will examine the more likely possibility that the US Treasury market, by rising in price, is coming "back into line" with benign world inflation combined with moderate world growth, at a time when the US budget deficit is declining.

This combination of fundamentals, in earlier postwar times, resulted in US Long Treasury yields of between 3 per cent and 4 per cent, rather than the 6-plus per cent which exists now.

Lawrence W. Harris III,
president,
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US

Lot of life in this market

From Mr Daniel Hodson.

Sir, It is a pity that Mr Perry Warren (Letters, November 7) did not stroll a couple of hundred yards to the south in his recent visit to the City of London.

There he would have found a market with not only the "feel" of a fast-moving, dynamic marketplace but the "sight" of more than 2,000 traders crowded into pits wearing brightly coloured jackets, hand signalling to each other and the "sound" of animated voices shouting prices - a market where people trade face to face, eyeball to eyeball, not anonymously through screens.

It is also a market which has an established international presence (the largest in the world outside Chicago); an international membership and an international outlook. But it is also manifestly a part of the City of London, successful, and proud of it.

I am talking, of course, of the London International Financial Futures and Options Exchange at Cannon Bridge. We are a traditional open outcry market, whose purpose is to allow investors to lay off financial risks they don't want - passing them to others with the appetite for those risks and the means of controlling them. In the process, it earned £750m ($1,185m) in 1994 for Britain's balance of payments and it provides jobs for 25,000 people.

We would be happy to show Mr Warren around on his next visit - and, in particular, to show him how the vigorous trading he sees here allows financial institutions to offer him a fixed-rate mortgage, a better pension, more cost-effective life assurance and many other familiar financial services.

Daniel Hodson,
chief executive,
Liffe,
Cannon Bridge,
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UK

Crucial role of pottering boffins

From Mr David Triesman.

Sir, I was intrigued by the Lex Column account of developments at Glaxo Wellcome (November 9) reporting that the company will not rely on absent-minded boffins pottering in their laboratories but on more rigorous productivity goals. The group looks for its commercial future to medical genetics in the next generation of drugs.

Medical genetics depends fundamentally on the double helix research of Watson and Crick who appear to have been thought by many of their Cambridge university contemporaries to have looked for many years like absent-minded boffins pottering in the Medical Research Council laboratory. It is just such fundamental research that yields both "miracle" treatments and huge commercial opportunities.

I am drawn to two conclusions. First, Watson and Crick would almost certainly not have come through contemporary research selectivity methodology with the funding they needed. The UK would have had two Nobel laureates less and Glaxo Wellcome would be among those suffering the consequences now. Second, the MRC seems about to cut its funding for alpha-rated research by well in excess of half. There is every reason to believe that the "double helix" of the year 2005 (whatever that may be) is the probable victim. Along with those who may benefit medically from the next advances and, dare I say it, Glaxo Wellcome.

David Triesman,
general secretary,
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Reveal name

From Mr Jeff Nathenson.

Sir, I appreciated your review of the film *Living in Oblivion* (Cinema, November 9). There was only one minor problem. After mentioning the names of the main actors, you then failed to give the name for "the vertically challenged extra in an overloaded dream sequence". Peter Dinklage is a classically trained actor, musician, and friend of mine. If the scene was so good, why not give him credit?

Jeff Nathenson,
European Business News,
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Commitment to transport systems essential

From Mr Peter Hunt.

Sir, Your leading article ("Down the tube", November 7) correctly highlights lack of money as an important factor affecting the quality of public transport in London. What London First's Action Programme for Transport 1995-2010 demonstrates, however, is that to achieve a world-class transport system, we do not need s huge increase in the present level of investment but we do badly need a commitment to maintain the high level of investment over a long-term programme.

London's transport network is the victim of a stop-go ad hoc approach to investment by successive administrations, spurred on or reined in by short-term political considerations. No business can operate efficiently without coherent investment planning. In the same way, transport plans which have to be changed every year have led to a patchy quality of service ranging from the excellent to the dire, gaps in infrastructure which have inhibited economic growth in parts of the capital, and a fundamental lack of confidence among users - businesses as much as the commnting public.

Businesses cannot be expected to invest long-term in London if politicians are not prepared to commit themselves to its future.

It is not a question of giving London preferential treatment because London is not just another region of the UK and it is not simply a political political capital like Bonn or Ottawa. It is the engine of the national economy. If it is to continue to fulfil that role and if the prosperity it creates is to continue to spill over into the rest of the country, it needs consistent long-term investment in its services and infrastructure. Above all it needs long-term investment in its transport systems.

Peter Hunt,
director,
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UK

A gas-breathing behemoth

The partial privatisation of Russia's Gazprom poses problems for international investors, writes John Thornhill

Some of the world's more adventurous investment bankers are at present poring over their spreadsheets - and doubtless tearing out their hair - trying to attach a theoretical value to one of the world's biggest but least-known companies: Gazprom.

The size of Russia's partly privatised monopoly gas producer, which employs 340,000 workers, is awe-inspiring. It controls a third of the world's gas reserves, produces more than 20 per cent of global gas output, and operates 370,000km of gas pipelines.

But the company's activities are not confined to gas: it is developing several oilfields; building a sizeabla shipping fleet; has set up its own bank and an insurance company; and spends more each year on healthcare services than the federal government.

As one stockbroker's report suggests, it is emerging as a state within a state. It defies all comparisons and is among the largest creditors of countries such as Ukraine, Belarus and Moldova.

But how is it possible to value such a behemoth? And will it ever make sense to regard Gazprom as an "investable" proposition? Such questions will soon exercise internationally minded fund managers and gas executives, as they are offered up to 9 per cent of the company's shares and begin to weigh Russia's certain risks against its uncertain, but potentially enormous, rewards.

If the company is valued on the basis of the net present value of its future cash flows, it appears to be worth a fortune. It has known reserves equivalent to 80 times this year's production; and it believes it can discover plenty more.

If Gazprom's reserves were ever to be valued as highly as, say, Exxon's, it is easy to arrive at some astronomic valuations. On such reckonings, Gazprom could be worth as much as $800bn (£506bn) - close to the value of the entire London stock market and six times that of Nippon Telegraph and Telephone, the world's most valuable company.

But at this point reality intrudes. The trouble with such notional valuations is that Gazprom's cash flow is far from certain. Its present cash inflow is thought to be only half the government's $20bn estimate of the company's revenues. Many domestic customers simply do not pay their bills, while whole countries, such as Ukraine and Belarus, pay theirs only intermittently.

Moreover, tha massive funds needed to exploit its reserves and upgrade its ageing infrastructure imply a large dilution of the company's original equity - or colossal interest payments on borrowings and very low dividends. The company estimates the development of its vast Yamal peninsula reserves in Arctic Russia alone could cost about $40bn.

Attempts to value Gazprom's reserves may also prove academic, given that a large chunk of them are unlikely to be commercially exploitable. Transport costs for gas are normally higher than the production costs, and mnch of Gazprom's unexploited reserves lie in remote regions of Siberia.

Any valuation would have to include a hefty discount on the risks associated with any enterprise operating in Russia's unstable political and economic climate. All ownership rights in Russia have rickety legal foundations.

The company would attract a further risk discount because of its lack of transparency. Moreover, the obsession of management with approving all share purchases by foreigners make it one of the most opaque and investor-unfriendly organisations in the world. It is, however, committed to producing a rudimentary set of internationally acceptable accounts next year.

One day, Gazprom's size could be its chief source of vulnerability. Although the company's close associations with Mr Victor Chernomyrdin, the prime minister, have assured it a privileged status, these benefits may not outlast the present regime.

The reformist wing of the government has already started a political war to ensure it contributes more taxes to the federal budget. Government officials are eyeing its estimated $4bn of post-tax profits as a source of additional tax revenue.

Russia's infant anti-monopoly committee is also itching to break up the company - although such an exercise might serve only to highlight the high values inherent in its constituent parts. But Gazprom's influence in the corridors of power must make any break-up a remote possibility for the foreseeable future.

If Gazprom did remain intact, investors might treat all investments in Russia more warily. The prospect of such a mammoth company dominating the country - and possibly distorting its political development through the weight of its influence - would heighten concerns about stability. Some companies are simply too big for the good of their country.

Gazprom, the Russian giant

- Accounts for about 8 per cent of the country's gross domestic product
- Controls one-third of the world's gas reserves
- Produces more than one-fifth of the world's gas output
- Operates gas pipelines that could wrap nine times around the globe

هكذا من الأصل

FINANCIAL TIMES
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General Powell regrets . . .

For the second time in a year a leading public figure in a major western democracy has declined to run for his country's presidency in spite of strong encouragement from opinion polls and pressing invitations from political friends. As with Jacques Delors, so with Colin Powell, the motives are part personal, part political. Mr Delors's previous career had been more obviously political than Gen Powell's, but neither man had been much exposed to direct electoral contests; neither was temperamentally inclined to such contests; and in the end both decided they did not want the job enough to make the contest worthwhile.

Both may have been right to let themselves be guided by such instinctive self-knowledge. Gen Powell especially had reason to fear that by descending into the political arena he would lose the Olympian aura from which his present popularity derives.

That illustrates a general paradox about contemporary democracy. Electorates admire leaders who do not submit themselves to popular choice more than those who do. It is as though the very act of soliciting votes somehow demeaned the politician and forfeited the voters' respect.

The US presidency is especially affected by this phenomenon because for two centuries it has been not only the supreme political office but also the symbol of national unity and dignity. In the past its mystique ennobled its holder, cleansing him of partisanship and raising him in his fellow citizens' esteem. Today the mystique somehow no longer works. A man like Gen Powell, who as a military leader focused a national consensus on his person, clearly does not feel confident that as president he could do the same.

Why should that be so? A contributory factor must be the primary election system. This long ordeal is supposed to eliminate candidates with weak characters, or skeletons in their cupboard. But it also discourages some for whom politics is more about principle and public service than about ambition and the cultivation of lobbies. And it obliges candidates to placate activists within one party before they address the uncommitted voter.

Critics allege that this system polarises politics by favouring candidates from the extremes. Yet Bill Clinton's strongest pitch was that he came from the moderate wing of his party – and he is now less respected than almost any of his predecessors. Ronald Reagan, on the other hand, the classic case of an "extremist" candidate who used the primary system to beat the "moderate" establishment, was better liked and respected while in office than any other president since Eisenhower.

In the last resort it is still the man who makes the office more than the other way round. Gen Powell's poll ratings were high mainly because none of the declared candidates has yet convinced the public he could restore the nation's pride and self-confidence as Mr Reagan did.

Railtrack sale

The privatisation of Britain's rail network chugs on, despite an air of improbability. The government is painfully dissecting, from an organisation which overall is heavily lossmaking, the separate pieces which are saleable, even if only by bolstering them with subsidies and guaranteed income. Yesterday saw the sale of the three companies which lease rolling stock for nearly £1.8bn. It is now a good working hypothesis that the government will carry out its pledge to sell Railtrack, the company controlling track and property assets, next year.

In many ways, that is premature. Of all the components of the former British Rail, Railtrack presents some of the trickiest questions. The regulatory problems of the terms of access to its network are formidable; similar questions remain contentious in all previous utility privatisations. It is far from clear that access charges have been set at a level leading to optimal use of the railways. Moreover, it is hard to value Railtrack accurately until its customers, the new train operating companies, are well established.

Nonetheless, the government wants to put Railtrack beyond the reach of Labour, which has indicated it might renationalise the company. Ministers have been somewhat alarmist about this possibility, given Labour's budget constraints, as well as the near-impossibility of returning to the original structure. However, if the sale is to go ahead, it should be handled to give rail customers and taxpayers the best deal.

Much of Railtrack's revenue will come from track access charges, which are broadly fixed. Its main chance to increase profits is therefore to cut costs. This raises several concerns. For customers, it is not clear how the incentive to improve efficiency will be squared with the desire for Railtrack to invest in safety and modernisation. For taxpayers, there is the risk that the government will greatly underestimate the scope for efficiency gains, as it has done in previous privatisations, and that the sale price will be too low.

In order to help the rail sales the government has gone a long way to specify the parameters under which the companies will operate. But there is still much uncertainty, particularly about subsidies and service levels. Those decisions, which greatly affect quality and volume of service and the financial health of the operators, are likely to remain politically troublesome for years.

A privatisation carried out with such speed may not get the right answers first time. Ministers should recognise that adjustments may be needed to produce a framework acceptable to both operators and customers. Given that uncertainty, if taxpayers are to get anything approaching an adequate price for Railtrack, it should be sold in at least two stages.

Acid in Auckland

The provocative decision by Nigeria to confirm death sentences on Mr Ken Saro-Wiwa and eight other community rights campaigners on the eve of the Commonwealth summit has concentrated the assembled leaders' minds. Nigeria was already high on the Auckland agenda, along with French nuclear tests in the Pacific. Now Commonwealth leaders should be even more determined to find ways of putting the 1991 Harare communiqué, which reaffirmed their commitment to democracy, into practice.

The opportunity is in some danger of being missed. Chief Emeka Anyaoku, the Commonwealth secretary general, has condemned Nigeria and appealed for clemency, as have Nelson Mandela, John Major and other leaders. What is needed now is a collective Commonwealth voice to drive home to the Nigerian regime the abhorrence with which the organisation regards the sentences. At their weekend retreat, heads of government should aim to provide that, and more.

To begin with, they should set out rules of membership, based on the Harare principles, with a clear procedure for suspending countries which break them. To help reinforce these rules, there should be a body that monitors human rights abuses and publishes the findings – beginning with the report of the mission to Cameroon which preceded that country's formal admission to membership last week. In addition, visa restrictions should be imposed on members of military regimes, together with strict enforcement of an embargo on arms supplies.

Finding consensus on such measures may be difficult, but should not be impossible. On the issue of nuclear tests, by contrast, the Commonwealth must agree to differ. For better or worse Mr Major has nailed Britain's colours to the French mast. Australia and other Pacific states are understandably angered by this, but they would be wrong to deduce that the Commonwealth's days are numbered, or its relevance diminishing as their ties with Asia strengthen.

The Commonwealth is neither a security pact nor a trading bloc. No member state needs to choose between it and Asian regional economic organisations, any more than Britain has to choose between it and the European Union. Whether or not there is a full-dress row with Britain (which depends in large part on whether Australia's outspoken prime minister, Paul Keating, is determined to have one), the Auckland summit has already provided a platform from which differing positions can be publicly explained. If this is what is meant when the Commonwealth is dismissively called a talking shop, it is no bad thing. Provided, that is, it also knows when to take action – and here Nigeria will be the acid test.

A teetering tiger chases its tail

Scandal surrounding Korea's ex-president threatens attempts to sweep away links between business and government, says **John Burton**

The growing scandal over an illegal slush fund amassed by former President Roh Tae-woo has revealed the dark side of South Korea's economic miracle.

Korea may be about to join the Organisation for Economic Co-operation and Development, the Paris-based club of the world's richest nations. But Mr Roh's televised confession that he collected $650m in donations from business has exposed the corruption at the heart of the country's economic success.

The government of President Kim Young-sam has launched economic reforms that should weaken the links between business and politicians. But the Roh scandal now threatens to damage the president and undermine his reform programme.

"Kim Young-sam is as bad as Roh," said one businessman last weekend as he watched riot police pump tear gas grenades into a group of protesting students calling for Mr Roh's arrest.

Modern Korea was built on a centralised economy that mobilised labour and capital to build a strong industrial base. Fashioned by the military rulers who took power in 1961, it transformed Korea from an agrarian nation with a per-capita income similar to that of Ghana or the Sudan, into the world's 11th largest economy.

But the dominant role that the government played in the economy made the country a breeding ground for corrupt links between business and state. Officials used their control over cheap bank loans, lucrative government contracts and business licences to extort money from the industries that needed these favours to survive.

Korea's leading conglomerates, or *chaebol*, did not succeed due to bribery alone. They also had to perform well in export markets to win government support. But companies that refused to pay "donations" to ruling politicians were starved of credit in a capital-scarce economy and were allowed to collapse.

Although his predecessors Mr Park Chung-hee and Mr Chun Doo-hwan exploited the system for their personal benefit, Mr Roh appears to have taken the process much further during his term of office between 1988 and 1993 by collecting much higher sums of money.

Prosecutors are now trying to prove that Mr Roh accepted the money as bribes in return for awarding large government construction and defence contracts. One close aide to Mr Roh has spoken of the country's leading businessmen personally handing over to the president sums ranging from $500,000 to $10m whenever a big state contract was concluded.

The prosecutors believe Mr Roh used his new-found wealth to buy property and businesses, while supporting his allies in the ruling party. He is also thought to have paid some of the money to opposition politicians to protect himself from any political vendettas after leaving office. The opposition has suggested that this may be why he has not been prosecuted for his alleged role in the 1980 military massacre of at least 200 people in the city of Kwangju who were protesting against army rule.

The revelation of Mr Roh's secret board appears to be the biggest result of the anti-corruption campaign waged by President Kim Young-sam, who was inaugurated in February 1993. As the first civilian leader in three decades, he has made the campaign central to his government's programme.

Shortly after taking office, President Kim banned the use of anonymous-name bank accounts to make it difficult for officials to hide bribes. More than 1,000 mainly middle-ranking civil servants have lost their jobs over alleged corruption.

The anti-corruption policy has emboldened a generation of younger politicians to expose Mr Roh's slush fund in the hope of discrediting the older generation of leaders. Senior politicians in both the ruling and opposition parties have been implicated in the Roh scandal.

Some hope that the Roh case heralds an extensive clean-up of the links between Korean politics and business. But experience suggests this is unlikely to happen: few convictions have resulted from previous investigations undertaken by Mr Kim's administration into corruption involving state projects, such as that concerning Korea's huge military procurement programme in the 1980s.

Critics of Mr Kim have pointed out that it tends to be his political and business enemies that end up being convicted of corruption. Already, the prosecution in the Roh case is under pressure to limit its investigation of the *chaebol's* links with the former president to avoid harming the economy.

Corruption remains entrenched among the middle-echelon bureaucracy. Since a business needs more than 100 licences to build a factory, there remain plenty of opportunities for officials to collect bribes.

Indeed, the risk of exposure may have added to business's burden. "The only effect that Kim's anti-corruption drive has had is driving up the price of bribes," says one western executive in Seoul.

Another reason why Mr Roh may escape thorough investigation of his affairs is the damage that it might cause to Mr Kim. Most observers believe that Mr Kim has stuck to his promise of refusing to accept political donations from the *chaebol* while in office. But questions persist about whether his 1992 presidential campaign as the ruling party candidate was financed by Mr Roh's slush fund. Mr Kim has also shown favouritism towards certain *chaebol* as Mr Roh did.

However, public concern over corruption may rule out a limited investigation. Having been granted the most extensive glimpse yet into the incestuous ties between business and government, many voters are angry about what they believe is a cover-up.

At the moment, it is the students who are protesting at the scandal, but unless the probe makes progress, the middle class may join them. When this happened in 1987 over the military's reluctance to slacken its hold on power, it brought down the dictatorship.

A vigorous prosecution of Mr Roh may save Mr Kim's position. In that case, "President Kim is likely to renew efforts to cut down the size of the *chaebol* by introducing tougher fair trade rules and tighter standards for financial accountability," says Mr Eugene Yun, chief economist at Schroders Securities in Seoul.

This would be a popular policy, since there is widespread resentment against the *chaebol's* dominant role to the Korean economy. Most analysts agree that the most important step in cleaning up business and politics is the dismantling of Korea's *dirigiste* economy.

Mr Kim is the first Korean leader to push seriously for economic liberalisation. If – as appears increasingly likely – he becomes further embroiled in the Roh affair, it could make it harder to push forward with liberalisation and root out corruption.

One reason is that the scandal could cause his ruling party to lose its parliamentary majority in next April's general elections. The opposition parties are more sceptical of economic reform because it would open the country to foreign competition.

Korean media coverage of the scandal has reinforced popular perceptions that the entry of foreign businesses into the country may be a bad idea. The media have focused on alleged bribes given to Mr Roh by foreign companies involved in the sale of F-16 fighters and high-speed trains, and the construction of Seoul's new airport.

Both main opposition leaders have been tainted by the Roh scandal, with allegations that they both received money from the former president. Despite this, however, they are expected to benefit from Mr Kim's growing unpopularity.

The National Congress for New Politics, the main opposition party led by Mr Kim Dae-jung, represents working-class voters. They tend to oppose economic reform, fearful that it will cause industrial disruption and a loss of jobs.

The right-wing United Liberal Democrats led by Mr Kim Jong-pil is also unlikely to maintain the momentum of reform. It mainly consists of old guard who have benefited from Korea's closed economy.

The political turmoil resulting from the Roh scandal has also strengthened the band of the *bureaucracy, which views economic* reform as a threat to its considerable institutional power.

The only influential group now left supporting economic reform is the now-discredited *chaebol*. Most would welcome the end of forced donations to politicians, which they describe as "quasi-taxes" – on average, they amount to 6 per cent of profits, according to the Federation of Korean Industries.

The *chaebol*, in most cases, believe they have achieved the financial strength necessary to stop relying on government support. Economic deregulation would allow them to tap cheaper sources of capital abroad, while giving them the freedom to conduct corporate strategy without state intervention.

The Roh scandal has provided a powerful new argument for the liberalisation of the Korean economy. Unfortunately, its effect may be quite the opposite.

OBSERVER

Wearing the trousers

■ It has not been a good week for that rare breed, the female central bank governor. First poor Hanna Gronkiewicz Waltz, who has been combining her activities of worrying about Polish interest rates with running for the presidency, gets blown a raspberry by her compatriots in last Sunday's elections. Then Tatiana Paramonova, head of Russia's central bank, is unceremoniously dumped by President Boris Yeltsin.

Waltz is clinging to her banking job – which makes her, to the best of Observer's knowledge, the sole female representative at the top of central banking's greasy pole. Maria Schaumayer retired earlier this year after five years as boss of Austria's central bank.

Meanwhile Paramonova must be pondering what she did wrong. After helping to introduce some much-needed consistency to Russia's erratic monetary policies, she now discovers her most likely replacement is none other than Sergei Dubinin, the former finance minister blamed by Yeltsin for last year's rouble crash. Obviously time for her to try her hand at politics.

Seal of approval

■ Forget the GNP growth figures, rates of inflation and trade balances. If you want to know which are the "hot" economies, the best indicators to watch are the circulation figures of Vogue, the world's leading fashion magazine.

When economic growth rates are exploding, it does not take long for the more fortunate citizens of the countries concerned to acquire a healthy appetite for Louis Vuitton bags, Gucci shoes, Hermès scarves, Cartier jewellery etc. Where they go, Vogue magazine is never far behind. It already published nine separate country editions.

Vogue is one of the flagships of the privately owned Newhouse publishing empire, and Jonathan Newhouse, the man tipped to eventually take over from his cousin Si, says that the time has come for a Korean edition of Vogue magazine. Given that he has picked Korea rather than Japan for his latest venture it says something about the comparative growth rates. However, even Newhouse admits that it will be some time yet before North Korea is awarded Vogue's seal of good housekeeping.

Son of Sun

■ There has been a production hiccup at California's fast-growing Sun Microsystems. Scott McNealy, the 40-year-old founder, has been juggling two new product launches for the last nine months and disaster has struck at the last moment.

This week's launch of a new range of high-powered computers – billed as the most important event in the history of the company he founded 13 years ago – was scheduled to take place two weeks before the birth of his first child. You guessed it. Mother Nature decided to rejig the production schedule so that McNeally was otherwise engaged when 20,000 people turned up on Tuesday for Sun's grandiose product launch.

And the name of Sun's first new product to be delivered ahead of schedule? Maverick McNeally.

Back firing

■ Peter Mokaba, former leader of the ANC's Youth League, has a nose for trouble. A close friend of Winnie Mandela and a member of the ANC's policymaking national executive committee, Mokaba made a name for himself in the dying days of apartheid with his war cries of "Kill the Boer" and "Shoot to kill".

Now he has been accused of attempting to kill a white motorist after an early morning row over Mokaba's driving. This sort of behaviour is not unusual in South Africa, apparently. In his defence Mokaba said he fired two shots in the air as a warning and went to a police station for help. Unfortunately he entered the wrong door and was clubbed over the head with a pistol by a policeman who mistook him for an intruder. Mokaba has now charged the police with assault.

Take it away

■ Anyone telephoning the Virginia office of General Colin Powell last week might have guessed the eventual outcome of his attempt at the Republican presidential nomination. Callers put on hold were treated not to the soothing strains of *Eine Kleine Nachtmusik* or *Für Elise* but to a heartfelt blues piano arrangement of an old Elvis Presley classic. The lyrics? *"Since my baby left me, I've found a new place to dwell, it's down at the end of Lonely Street, in Heartbreak Hotel."*

Root and branch

■ Norway continues to needle President Jacques Chirac on account of his activities in the South Pacific. The seasonal product of the Norwegian forests will not be gracing the top of Montmartre in central Paris this Christmas. Mind you, the environmentally minded Scandinavians might have made more of a point by sending the tree anyway. With pollution levels as they are in the French capital, they could probably have counted on some denuded and sickly-looking branches making an even starker statement by the time Christmas actually arrived.

The Financial Times

50 years ago

Neutrals and Nazi assets
The question of German assets in neutral countries has given rise to a number of problems. In Switzerland and Sweden, among other countries, official inquiries are being conducted in order to ascertain the magnitude and structure of these assets. They consist, among other things, of real estate, mines, concessions, plant and equipment, *subsidiaries of concerns* domiciled within the Reich, shareholdings, patent rights and liquid funds, and, to a minor extent, jewels and objets d'art.

It must not be forgotten that the escape of the neutral countries from invasion was due to no small extent to the allied war effort. What is more, they owe their presently relatively high standard of living to the same cause.

Canadian loan talks start
Two leading British officials have embarked on talks which may lead to an £80,000,000 loan to Britain. The suggestion, believed to have been discussed by Lord Keynes in Ottawa on his way to the US loan talks, was that Canada should lend Britain $400,000,000 at a rate of interest at or below the two per cent of the proposed US loan.

FINANCIAL TIMES
Friday November 10 1995

Germany agrees deal to open up telecoms market

By Peter Norman in Bonn

The German government and the opposition Social Democratic party have agreed to put legislation jointly before parliament to liberalise the country's telecommunications market.

Agreement was reached after eight rounds of negotiation to put forward a bill which would open the market to competition from January 1 1998. All-party agreement means it should pass both houses of parliament, and is expected to become law by next summer.

Mr Wolfgang Bötsch, the telecommunications minister, said 10 points of agreement, reached yesterday, would allow ample opportunity for competitors to Deutsche Telekom to enter the market, and would hinder companies from abusing dominating positions.

There would be "basically no limitations" on market entry; while regulations would be related to the market power of the companies operating in the new environment to avoid unfair treatment.

However, it was unclear what sort of regulatory body will be set up to police the market. Mr Bötsch said further study was needed. The two sides agreed the market should be thrown open to powerful competitors that would offer services nationwide in competition with Deutsche Telekom in the hope that these would rapidly gain a sizeable market share. However, they said small and medium-sized companies should also have access to the network because they could offer specialised services.

In the interest of promoting greater competition, they agreed that frequencies should be made available locally to provide wireless links for customers. Because availability of the new digital European cordless telephony would be limited, other radio links should be considered. In areas where frequencies were in short supply, it was agreed that companies which offered services throughout Germany should be given priority. This would help meet the government's obligation to provide a "universal" service for all people who wanted a phone.

In reaching yesterday's agreement, the government made significant concessions towards SPD demands that the universal service should be both affordable and of a high technical standard.

In the summer Mr Bötsch had proposed a universal telephone service using the outdated but widespread analogue or pulse system, but now the government parties and SPD have now agreed on "a voice telephone service with ISDN [advanced digital] characteristics". This should mean that any customer wanting ISDN services could expect to have them, Mr Bötsch said.

The two sides also agreed that providers of universal services – which will have to offer standard services in home or office, directories, pay telephones, directory inquiries and access to emergency services – should keep up with the latest technological developments.

British Telecommunications has seen a fall in the number of its domestic customers for the first time, as competitors stepped up their assault on the UK privatised former monopoly. Announcing flat half-year operating profits of £1.68bn ($2.65bn) yesterday, BT conceded that cable television companies in particular were luring away residential customers with promises of cut-price calls. BT loses customers to cable, Page 15; Price cuts and competition hit BT, Page 21

Swedish Social Democrat leadership in disarray

By Hugh Carnegy in Stockholm

Sweden's Social Democratic party was in disarray yesterday as speculation mounted that Ms Mona Sahlin, deputy prime minister, was poised finally to withdraw as the only declared candidate to succeed Mr Ingvar Carlsson as party leader and prime minister when he retires in March.

Her departure would leave the party in severe difficulties as both the other credible alternatives are insisting that they do not want the job.

Ms Sahlin's chances of recovering party support – following revelations that she had used government credit cards for private spending – dwindled this week when several senior party figures spoke out against her renewing her candidacy, which she suspended last month.

Her case was hardly strengthened when, at the height of the storm about the credit cards, she left for a luxury holiday with her family on the Indian Ocean island of Mauritius, accompanied by a government assistant and two security police officers whose SKr60,000 ($9,000) costs were paid by the taxpayer.

Mr Sven Hulterström, the party official overseeing the succession, said after meeting Ms Sahlin on Wednesday there was not sufficient support for her in the party.

Yesterday the daily newspaper Expressen said Ms Sahlin had decided to quit and would tell the party so today.

Her predicament has thrown the Social Democrats into embarrassing confusion. The figure seen as the most likely alternative, Mr Jan Nygren, the low-profile minister for government co-ordination, this week restated his refusal to stand.

Attention has turned increasingly to Mr Göran Persson, the pugnacious finance minister, but he repeated yesterday that he does not want the job. The party might turn to another woman – possibly Ms Ingela Thalén, the little-known minister for social affairs.

The reversal of fortunes for Ms Sahlin, 38, has been remarkable. A protégée of Mr Carlsson, as recently as six weeks ago, she was widely fêted among Social Democrats as tough and plain-speaking with the ability to bridge a widening split in the party over economic policy and over Sweden's unpopular membership of the European Union.

But confidence in her was shattered by the revelations that she repeatedly used her government credit cards for private purchases and was often very slow to repay the debts.

Although the sums involved were not large, her conduct offended the high moral principles the Social Democrats set for themselves and the egalitarian-minded nation.

Bank of France eases credit as reshuffle wins approval

By David Buchan in Paris

The Bank of France yesterday eased credit, reflecting both support for the newly recast government of Mr Alain Juppé, the prime minister, and some worry about slowing economic growth.

Immediately after reshuffling his government on Tuesday, Mr Juppé said his priority was to reduce "debts and deficits so as to make lower interest rates possible". Yesterday the central bank reopened its 5-10 day lending window in a move which checked, but did not reverse, a recent rise in the franc. The currency closed at DM3.449.

On October 6, the Bank of France moved to stem speculation about Mr Juppé's policies and position by suspending the 5-10 day lending facility, and replacing it with an emergency 24-hour facility, which it pushed to 7.25 per cent. This rate has subsequently been trimmed to 6.6 per cent. The 5-10 day window was yesterday reopened at 6.35 per cent, still above the pre-October 6 level of 6.15 per cent.

The central bank has thus unwound its emergency measures of a month ago. But the interruption in the previous downward trend of interest rates since President Jacques Chirac's spring election has helped depress growth expectations.

Mr Jean Arthuis, finance minister, said yesterday he "did not despair" of achieving the government target of 2.8 per cent real growth next year, despite the prediction by most private forecasters that the economy will expand by around 2.5 per cent.

But he admitted that any shortfall in growth would bring in less tax revenue if it was caused by lower domestic consumption rather than foreign demand.

Consumption is likely to be further squeezed by the government's plans to start erasing welfare deficits and debts by increases in taxes and social security contributions. The government has unnerved some of its backbenchers by talk of not only wiping out the social security system's current annual deficit of around FFr60bn ($12.2bn) over the next two years but also of paying off its entire debt backlog of FFr230bn over 10-15 years.

Critics doubt the wisdom of trying a big pay-off of public debt, which in terms of the Maastricht criteria for European monetary union poses less of a direct problem for France than its annual deficits.

But the new government is clearly keen to impress financial markets and European partners with its fiscal rigour. In reforming welfare and wrapping up a parliamentary debate on the 1996 budget next week. This comes in the face of a union call yesterday for a Paris public transport strike next Tuesday in protest at the social security changes.

Philip Stephens, Page 12

US budget

Continued from Page 1

and Senate is that they would seek to prevent the Treasury from taking what Mr Rubin has called "extraordinary" actions to avert a technical default. These include temporarily under-investing in social security and civil service retirement funds so as to increase cash balances.

Eurotunnel in fares battle

Continued from Page 1

Eurotunnel plans to increase its UK prices in 1996 by 1 per cent, against the 6 per cent announced by P&O, while its French prices are to be reduced by 4 per cent.

In Paris, Eurotunnel said the difference in price changes for French and UK customers was mainly due to movements over the last few months in exchange rates. The changes were in line with its obligations to keep the prices in francs and sterling at the same levels on average.

The company admitted the possibility for arbitrage, with UK customers buying tickets at lower prices in France, but it said the chances were small because the savings would be minimal.

THE LEX COLUMN

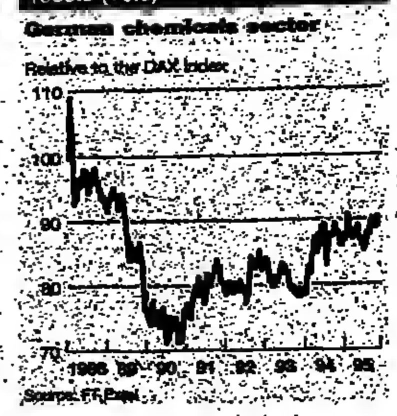
Budget bluff

Games of chicken normally end with one party losing its nerve. But just occasionally such games end in disaster. At present, markets are betting that the US budget wrangle will be one with a happy ending. Even yesterday's escalation of the war of words – with the White House saying a default on US debt payments was increasingly likely – produced only a minor fall in the treasury bond market.

The chances of a default are still small. The current House of Representatives' bill temporarily lifting the federal debt limit does include conditions – such as shutting down the Commerce Department – that President Bill Clinton would find hard to accept. But it is quite possible that the Senate will pass a less aggressive bill which President Clinton does not feel he has to veto. Even if an acceptable bill cannot be negotiated before a $25bn interest payment falls due on Wednesday, the government can probably limp along for a bit by resorting to emergency measures such as tapping the civil service pension fund.

Nevertheless, such scrappy solutions cannot last for long. And if the US did default, the impact on bond markets would be severe. Even if the default was quickly remedied, the finances of investors who depend on the precise timing of interest receipts would be messed up. Confidence in the US government's word would fall – hardly sensible at a time when the US is still heavily reliant on foreigners to plug its deficits. Republicans who think a default will cause no long-term damage are kidding themselves.

FT-SE Eurotrack 200:
1535.5 (+5.0)



German chemicals

Shareholder value is not a concept traditionally associated with Germany's chemical giants. Over the past eight years their shares have underperformed the Frankfurt stock market by 20 per cent.

This week's results from Hoechst, Bayer and BASF hinted at signs of slow, lumbering change. A younger generation of management – such as Mr Jürgen Dormann, Hoechst's chairman – is at least talking the language of international equity investors. All three companies have set public targets either for margins or return on capital, something they would not have dreamed of five years ago. And all three predicted further job losses at e time when profits are back at near-record levels. Mr Manfred Schneider, Bayer chairman, warned that he could not afford to hire a single new German employee because of the country's bloated labour costs.

The danger for investors is that much of this talk is no more than that. Like many German companies, the chemicals companies have been better at expanding than focusing. To convince, management must start to cut out poorly performing businesses. Bayer's plan to spin off its troubled Agfa film division is an encouraging sign. But the Germans are a long way behind their Anglo-Saxon rivals when it comes to returning excess capital to shareholders. Share buy-backs, as practised by many US groups, are effectively barred by German law. But with dividend cover approaching three times and strongly positive cash flow, there is scope to raise payouts.

Dorling Kindersley

Microsoft's decision to sell its 18 per cent stake in Dorling Kindersley will have little impact on the publisher's business. The two companies have been growing apart in recent years anyway. But the disposal should puncture Dorling's share price. Not only should the Kindersley family's reluctance to sell the group to Microsoft remove the bid premium from the shares; the cachet attaching to Dorling as Microsoft's favoured partner for multimedia publishing has diminished.

Even after yesterday's 5 per cent fall, Dorling'e share price is still on a multiple of nearly 40 times this year's earnings. If all the company's business was in multimedia CD-Roms, such e fancy rating would be more than justified. In fact, CD-Roms account for only 10 per cent of sales; print publishing makes up the bulk of its business. Even if Dorling's multimedia division is valued at eight times forecast sales or £160m – the sort of rating similar US businesses are being acquired for – the implied price/earnings ratio for the rest of the company is still about 25.

Dorling is a world leader in multimedia publishing. Its reputation for quality and a collection of talented staff are certainly worth something in e market that is showing explosive growth. But Dorling is not in a position to develop a monopoly in CD-Roms to parallel Microsoft's monopoly in personal computer software. Multimedia publishing has few barriers to entry, meaning even the best will be hard-pressed to earn exceptional profits.

Ladbroke

With the Budget only three weeks away, the timing of yesterday's profit warning from Ladbroke does not look accidental. The company is pleading for a cut in betting duty to help it compete with the National Lottery. So it is no surprise that it blames the lottery for much of the drop in profits.

In fact, quite a bit of tha damage – especially to the credit betting business – has nothing to do with the lottery: it was inflicted by a freakishly hot summer, bad for racing but unlikely to be repeated next year. Revenues should also improve a bit if, as expected, the government allows fruit machines into betting shops. And history suggests that competition from the lottery is more likely to decline than grow.

These crumbs of comfort, though, will not quickly rescue the share price. The market is already taking rather a rosy view; even after yesterday's fall the shares are still at e 30 per cent premium to the market. Ladbroke's hotel business is the reason. It is expected to grow less quickly in the second half, but given the first half'e sparkling performance this is not surprising. Since demand for hotel space is outstripping supply, the prospects for earnings should still be good.

This, though, is already priced into the shares. The premium is in line with other hotel chains; it reflects precious little of the risks, and modest growth prospects, on the betting side. The management will have to show exceptional returns on hotels to prevent e further fall in the share price.

Additional Lex comment on Burton on Page 23

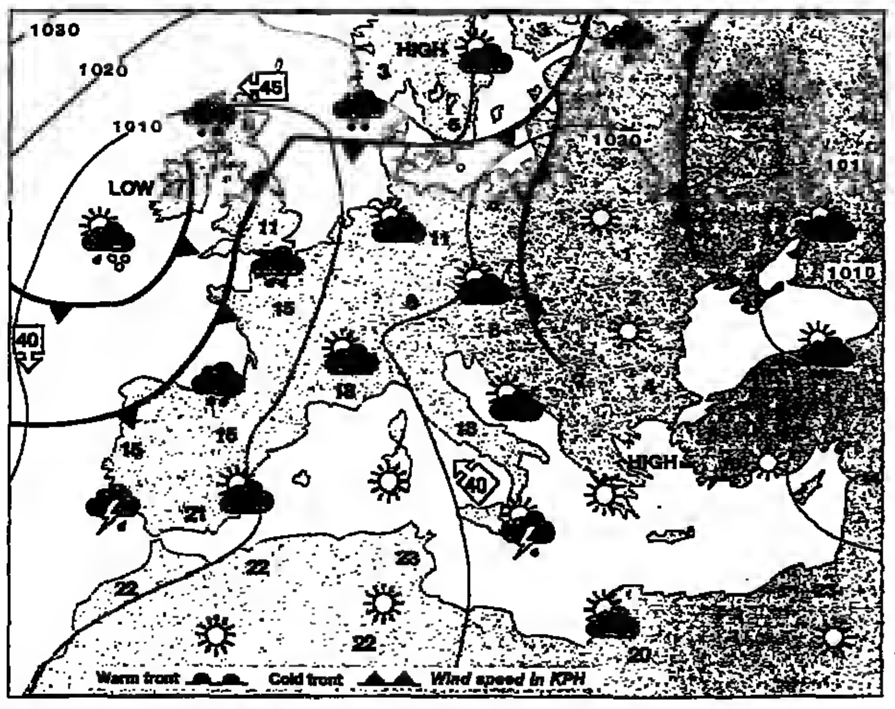
FT WEATHER GUIDE

Europe today

Eastern Europe will continue to have wintry conditions, with snow and maximum temperatures around freezing. Western Europe will have a mild spell as low pressure forms over the Gulf of Biscay. The Benelux and eastern France will have sunny periods and mild temperatures. Western France and the British Isles will have occasional rain. There will be sunny spells in Ireland. Spain will also have rain, which could be heavy.
Showers and thunder will occur over western and southern Italy. Central Europe, the Balkans and Greece will have sunny periods and it will mainly be dry, although the temperatures will be below normal. High pressure over Norway and Sweden will bring sun. Rain will occur over extreme south-western Europe.

Five-day forecast

During the next couple of days, the Alps as well as central and north-western France will have a lot of rain. After a wet weekend, Spain will be drier.
Eastern Europe will stay cold with freezing temperatures and snow. The Benelux will be mild with sunny periods.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	14	Caracas	thund	31
	Celsius		Belfast	drzzl	7	Cardiff	rain	11
Abu Dhabi	sun	32	Belgrade	fair	3	Casablanca	rain	21
Accra	thund	30	Berlin	fair	11	Chicago	snow	3
Algiers	fair	23	Bermuda	shower	23	Cologne	fair	13
Amsterdam	fair	12	Bogota	cloudy	20	Dakar	sun	30
Athens	sun	13	Bombay	cloudy	34	Dallas	cloudy	24
Atlanta	cloudy	17	Brussels	fair	12	Delhi	fair	31
B. Aires	fair	24	Budapest	cloudy	5	Dubai	sun	32
B.ham	rain	10	C.hagen	drzzl	6	Dublin	cloudy	6
Bangkok	fair	33	Cairo	thund	22	Dubrovnik	fair	13
Barcelona	cloudy	17	Cape Town	fair	23	Edinburgh	cloudy	9

Faro	rain	20	Madrid	fair	15	Rangoon	fair	34
Frankfurt	fair	11	Majorca	fair	21	Reykjavik	sun	5
Geneva	fair	14	Malta	shower	21	Rio	thund	33
Gibraltar	drzzl	16	Manchester	rain	10	Rome	fair	19
Glasgow	cloudy	6	Manila	thund	30	S. Frsco	sun	18
Hamburg	fair	11	Melbourne	shower	16	Seoul	fair	8
Helsinki	cloudy	3	Mexico City	fair	22	Singapore	shower	32
Hong Kong	sun	26	Miami	fair	28	Stockholm	sun	4
Honolulu	thund	29	Milan	drzzl	10	Strasbourg	sun	12
Istanbul	fair	7	Montreal	snow	2	Sydney	fair	30
Jakarta	thund	31	Moscow	snow	-2	Tangier	rain	20
Jersey	rain	12	Munich	fair	6	Tel Aviv	thund	19
Karachi	sun	35	Nairobi	thund	27	Tokyo	rain	16
Kuwait	sun	30	Naples	fair	17	Toronto	rain	7
L. Angeles	fair	21	Nassau	fair	28	Vancouver	shower	6
Las Palmas	shower	25	New York	fair	12	Venice	cloudy	12
Lima	cloudy	24	Nice	fair	17	Vienna	sun	7
Lisbon	rain	15	Nicosia	sun	16	Warsaw	fair	3
London	drzzl	13	Oslo	fair	1	Washington	fair	13
Lux.bourg	fair	10	Paris	fair	14	Wellington	shower	17
Lyon	sun	15	Perth	fair	24	Winnipeg	snow	-7
Madeira	rain	21	Prague	sun	6	Zurich	fair	12

هكذا من الأصل

RECRUITMENT

JOBS: Frustration about age discrimination is apparent in a survey of employees

One foot in the corporate grave

At what age are we considered to be old in our jobs? According to research commissioned by Sanders & Sidney, the UK outplacement specialist, the age at which people have one foot in the corporate grave is 42. At least this is the age when discrimination begins to be noticeable.

The company looked at attitudes towards ageism among 237 people on its national database and among 27 employers. Over half of the companies employed more than 1,000 people. Few of them had many staff under 20 or over 50.

Some 59 per cent of the people on the database sample were working, a big majority (91 per cent) were men and three quarters of them had either a degree or professional qualification. Their average age was 47. The fact that all of these people had at some time lost a job, and that most are well qualified, shows that the sample is far from being a cross section of Mr and Mrs Average, but it is probably reasonably representative of the angst-ridden middle management classes.

There was a strong belief among the employees that companies employed age discrimination. About two thirds of the employees said they had been excluded from job interviews or offers because of their age. When asked about their current prospects, almost 70 per cent thought their age would limit their future career options. While the biggest proportion of these were the over 45s, half under 45 also thought their age limited their job chances.

The replies were not wholly subjective. Many of the people could cite evidence either from age stipulations on job advertisements or from feedback they received from potential employers or recruiters.

Asked at what age they perceived discrimination beginning to bite, they were "remarkably consistent", say Sanders and Sidney, settling on the age of 42. These results suggest, it says, that age discrimination is becoming a factor half way through an individual's working life. Most of the sample thought the issue would grow worse, arguing that employers were showing less and less interest in experience.

The employers took a different perspective. While they largely agreed that age was a barrier for job candidates, most believed that it was a barrier of the candidates' own making. In other words, candidates were ruling themselves out of the running for jobs because they thought, quite erroneously, that they would not be considered. This does not seem to fit with reports from many candidates who said they had applied for jobs even when out of the stipulated age range. Four out of five of the employers said they had no age preferences when recruiting and nine out of 10 said the same of promotion.

Frances Cook, managing director of Sanders & Sidney, thinks many employers are steered into setting age ranges by personnel officers or recruitment consultants seeking parameters in their job brief.

When asked for solutions, employers said older employees needed to "remain flexible in their thinking, up to date with current business issues and abreast of new technology". Nowhere was there any mention of older employees pricing themselves out of the market or their potential pension costs to employers. Surely these bottom line issues are just as compelling influences in an employer's choice of candidates, if not more so, as the attitudinal comparisons thrown up in the survey.

Cook points out, however, that some older employees who have retired on a pension are willing to take lower salaries, topping up their other income.

● In a related area, Andrew Dilnot, director of the Institute of Fiscal Studies, says he has worked out why there is so much job insecurity in the workplace.

Dilnot, along with several other academics, has been puzzled by this because the usual measures of job insecurity – such as looking at the length of time people stay in their jobs – show that patterns have not changed much in the past 10 years. What has changed, however, is that where once unemployment was something that happened to the lower paid, it is now becoming noticeable among the middle classes.

Just how noticeable became apparent when a conference agenda landed on my desk last week. The title of the conference is: Terminating the Senior Executive's Contract of Employment. The conference, which includes a number of employment lawyers among the speakers, is at the Marlborough Hotel, London, on November 13. At £295 plus VAT it could prove a snip compared to the cost of extending that two-year rolling contract.

University	% diff.	University	% diff.	University	% diff.
Oxford	9.5	Newcastle	1.1	Wales	-1.2
Brunel	4.9	Strathclyde	0.9	Keele	-1.3
Durham	4.4	Exeter	0.8	Warwick	-1.4
Cambridge	4.1	Bath	0.7	UMIST	-1.5
St Andrews	3.9	Stirling	0.7	London	-2.0
Nottingham	3.8	Kent	0.7	Aston	-2.1
Surrey	3.4	Aberdeen	0.4	Sussex	-2.1
Dundee	3.1	Reading	0.4	Manchester	-2.2
Belfast	2.7	Loughborough	0.3	E. Anglia	-2.5
York	2.7	Leicester	0.1	Birmingham	-3.1
Salford	2.5	Ulster	-0.3	Bradford	-3.2
Essex	2.1	Bristol	-0.4	Edinburgh	-3.3
Hull	1.9	Leeds	-0.8	Liverpool	-5.3
Lancaster	1.8	Glasgow	-0.9	Southampton	-6.5
Sheffield	1.6	Heriot-Watt	-1.1	City	-7.6

The league table (above) is designed to provide some idea of graduates' job prospects from different UK universities. It does not list former polytechnics.

The table, compiled from the 1995 edition of University Management Statistics and Performance Indicators in the UK, rates universities according to the success of their first degree graduates in finding a job after leaving. It covers those graduates who attended degree courses over the academic years from 1991-92 to 1993-94.

The figure in the table is a calculation of the actual number of graduates without jobs or in short-term work subtracted from the predicted figure and expressed as a rate of excess per 100 graduates. A positive number reflects fewer unemployed than would have been expected, while a negative number shows there have been more graduates than predicted leaving the university without jobs.

The top two are the same as last year, but Durham and Cambridge have improved their positions. Brunel is always pleased to see its name up there. It offers a high number of sandwich courses which put students in touch with potential employers, yet it did not feature highly in the list of universities most most favoured by employers published by the Performance Indicator Project run from Harlaxton College, Grantham.

The University of Manchester Institute of Science and Technology (UMIST) and Bristol both have negative figures here, yet they fared far better in the PIP table. This has puzzled its compiler, Cliff Pettifor, who would like to have breakdowns of graduate first destinations by subject so that he can look for correlations, but only half of the universities contacted to provide the data were willing to do so.

Among the non-vocational subjects, the best for delivering jobs were music, theology, accountancy, linguistics, Chinese, food science, electronics and general engineering.

University Management Statistics and Performance Indicators in the UK is available, price £90, from the Higher Education Statistics Agency, 18 Royal Crescent, Cheltenham GL50 3DA, tel: 01242 255577.

Richard Donkin

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If you have tha required qualifications and the ambition to continue your career in a highly damanding and outcome driven environment, please send your Curriculum Vitae to:

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Ref: AGMT / AGT

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Reporting to the senior portfolio manager, the individual will be able to assume responsibility for the management of certain funds invested in the Far East.

EUROPEAN EQUITIES
Working closely with the senior fund manager, the position is stock selection orientated and will involve a significant level of *analysis particularly in mid-cap stocks.*

Successful candidates will be in their twenties or early thirties with above average intelligence and relevant market experience in fund management. Strong analytical skills are essential, as is the ability to communicate well verbally and in writing. Independence of thought, creativity and initiative are as important as the desire to contribute within a strong team culture.

Remuneration will be competitive including significant bonus potential. For an initial discussion in confidence, please contact us quoting reference 5331 at 20 Cousin Lane, London EC4R 3TR. Telephone 0171-236 7307 or fax 0171-489 1130.

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Senior Corporate Financier
Attractive salary plus bonus and benefits

Our client is a prestigious UK merchant bank with a strong reputation for the quality of its corporate finance and banking services. Due to increasing business volumes, an opportunity exists for a senior Corporate Financier to join the division.

Job Description
- Create and develop close relationships with senior clients.
- Originate, lead and manage mergers and acquisitions, flotations and rights issues.
- Provide valuable advice to a wide range of clients on both UK and cross border transactions.
- Provide synergies with the banks other services.

Candidate Profile
- Probably aged around 30, good university degree, working knowledge of a second European language useful.
- At least five years corporate finance experience gained in an investment bank, fully conversant in blue and yellow book requirements.
- Polished, articulate communication and presentation skills.
- Strong team player.

Candidates with real commitment to their careers should apply by sending their CV to NATHAN COOPER, in strict confidence, or telephone for an initial discussion.

Devonshire *executive*

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for TELECOM Exhibitions

EDUCATION: University degree in Business Administration with specialisation in finance and accounting.

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Proven theoretical and practical experience of computerized accounting and financial operations.

Excellent knowledge of English/French and practical knowledge of the other language.

APPLICATIONS TO:
Personnel Department - ITU - Place des Nations, 1211 Geneva 20, Switzerland - FAX: +41 22 733 72 56.

Applications should quote reference No. 22-1995A and reach ITU Headquarters not later than 12 December 1995.

Vacancy notice and employment conditions available upon request.

Senior Manager, Trading

Creative Trading Company in the energy business seeks experienced trading executive to head up its international risk management activities, in addition to playing a significant role in the development and coordination of physical trading activities in the Southern African Region.

Salary. Approximately £56,000 per annum. This is a strongly performance-based company where the right individual will enjoy the opportunity to benefit from substantial rewards based on contributions to the short and longer-term financial health of the company.

You will therefore be able to demonstrate that you have been instrumental in the creation of successful non-speculative trading strategies where the evaluation of risk and the use of appropriate risk management tools has been important. You will have a sound understanding of the inter-relationship between the spot and forward markets for energy commodities, currencies and interest rates, and the physical movement of goods.

Required Skills/Qualifications
- A post-graduate qualification in commerce and/or quantitative areas
- Extensive experience in the use of swaps, options, futures, especially in the energy markets
- A history of dealing with customers at senior level
- Fluency in English and at least one indigenous Southern African language
- Strong inter-personal skills and a flair for marketing
- Experience at managerial level in the above fields of activity
- A basic knowledge of Letters of Credit, Shipping Documents and Refinery Processes will be an added advantage
- A working knowledge of PC spreadsheet applications and word processing
- Ideally the candidate will be aged between 26-35 years

Write to Box A5790, Financial Times, One Southwark Bridge, London SE1 9HL

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THE ROLE

- Supporting the Chief Executive in sustaining new management structures and systems to deliver enhanced commitment, innovation and performance across the group.
- Managing a lean group finance function maintaining a responsive and consistent financial management and control service to support operations and evaluate corporate development opportunities.
- Building on strong, established City contacts. Ensuring first-class support from all third party advisors and dealing with investor relations.

THE QUALIFICATIONS

- Ambitious and resourceful graduate calibre accountant, aged 35+ with strong financial management, costing and systems skills honed in a global engineering or manufacturing business.
- Disciplined and thorough analyst capable of critiquing complex business proposals and making a positive contribution to a change process.
- Loyal and confident team player. Adept at communicating effectively at shop floor and boardroom level. Capable of progressing further.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

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Please reply with full details to: Selector Europe, Ref. F6421118L, 16 Connaught Place, London W2 2ED

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Zeneca Agrochemicals is a highly successful and profitable worldwide business which is part of the international bio science group, Zeneca, a FTSE 100 plc. The agrochemicals business, with a turnover of £1.5 billion and operating in 140 countries, presents an exceptional opportunity for a first-class finance professional to play a pivotal central role working closely with the top management team and deputising for the Chief Financial Officer. Outstanding career advancement opportunities are available in a group that values individuals with different backgrounds and experience.

THE ROLE

- Responsible for providing a comprehensive financial service to the executive team and group HQ including statutory and management reporting. Oversee the annual planning cycle and continue to develop accounting excellence across the business.
- Manage a highly qualified, central team and provide senior financial support for key international functions, particularly manufacturing and medium-term product planning.
- Conduct business evaluations, capital investment appraisals and provide financial advice on varied projects. Exploit the substantial investment in systems, refining both the analysis and presentation of information for commercial use.

THE QUALIFICATIONS

- Ambitious and commercial graduate accountant, probably mid 30s, with Big Six grounding and experience in an international group renowned for its management reporting and rigorous financial control.
- Robust and perceptive, with a strong technical background to ensure best practice and an ability to provide financial advice in a fast-moving commercial environment.
- Credible at Board level with strong influencing and communication skills. An accomplished leader and people manager with clear potential for advancement.

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Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F1020116Y, Gladstone House, Redvers Close, Lawnswood Park, Leeds LS16 6QY

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c. £60,000 + bonus + options — *Industrial MBO* — *East Midlands*

Group Finance Director

Successful, ambitious c. £70 million Group thriving in a fiercely competitive market-place seeks a dynamic finance professional for the next stage of its growth through to flotation. The company is multi-site, committed to excellence in manufacturing, quality and delivery, cash generative and intends to grow further both organically and via acquisitions. Influential hands-on role as the company continues to develop.

THE ROLE

- Working closely with and reporting to the Chief Executive. Responsible for the Group finance function as well as the development and implementation of a comprehensive Group IT strategy.
- Substantially strengthen internal controls and procedures and upgrade and improve costing and management reporting systems.
- Supporting the Chief Executive in acquisitions and in developing City relationships prior to flotation.

THE QUALIFICATIONS

- Graduate, chartered accountant, 32-45, with fast track record of financial management in a rapidly growing manufacturing plc. Demonstrable experience of improving internal controls and developing management reporting systems.
- Excellent technical skills in financial and management accounting with strong IT planning and acquisition experience.
- Bright, enthusiastic and ambitious with the confidence and authority to develop close and effective relationships with customers, suppliers, the City and the existing management team.

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Please reply with full details to: Selector Europe, Ref. F5021118M, Adlington Court, Greenwood Business Park, Styal Road, Manchester M22 5LG

Finance Director

Northern France — **c £60,000 + Bonus + Car**

Our client, a publicly quoted, British based multi-national, is one of Europe's leading textile and clothing companies. With 50% current turnover derived overseas, they are committed to becoming a major force worldwide. As part of this expansion, they are now seeking a highly commercial Finance Director to control one of their French manufacturing subsidiaries.

Working closely with the Chief Executive, the appointed candidate will be a key member of an established management team, with overall responsibility for finance and administration. You will be instrumental in the long-term growth and success of operations by formulating and implementing the company's plans and strategies.

The candidate will probably be aged 30-45, a graduate, qualified accountant, who has worked in a senior financial role with a major international company. You should speak French and be able to demonstrate self-motivation and leadership qualities. A track record of success with technical commercial and product costing issues in a fast moving production environment is a prerequisite. Experience with working in France would be an advantage, but above all you must have the intelligence, strength of personality, and flexibility to succeed in an expanding international business.

This is a senior appointment within the international group and is expected to offer significant long-term potential in financial or operational management overseas or in the UK.

Interested candidates should send their curriculum vitae to Dean Ball at Michael Page, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote reference 169178.

Michael Page International
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Reporting directly to the local General Manager with a dotted line into Group Finance, day to day responsibilities will include: the development of tight financial controls, working capital management, systems development and implementation, budgeting, monthly management reporting and analysis, and the provision of sound financial advice.

The successful candidates will be qualified accountants with relevant language fluency, strong analytical skills, the ability to control a small team and to operate within a highly commercial and entrepreneurial culture.

If you feel that you fulfil the above criteria please contact Ms Helen Arber for further discussion or alternatively forward your CV to Heathfield Hargreaves International Ltd, 10 Sedley Place, London, W1R 1HG, Fax +44 (0)171 493 3104 or Telephone: +44 (0)171 493 3084, quoting reference CPF30.

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- Probably in your thirties, you will be a qualified accountant or MBA and may also be ACT qualified.
- Exposure to treasury issues such as cash management and banking relationships is desirable, and will probably have been gained in a blue chip corporate.
- Bright, innovative and highly numerate, we are looking for individuals with the drive, energy and ambition to head up this important function and take advantage of career opportunities within this growing group. Good project management ability and strong interpersonal skills are also vital.

Please apply in writing quoting reference 979A with full career and salary details to: Susan Ryder, Whitehead Selection Limited, 11 Hill Street, London W1X 8BB. Tel: 0171 290 2043

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Your prime responsibility will be to provide high level, analytical support to operational management throughout a global matrix structure, identifying areas for additional cost control, optimising efficiency and maximising profit in any given contract.

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Ref 257270

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London — **Attractive salary**

Reporting directly to the European Controller and managing a small team you will be responsible for the financial control of a significant high-profile project. Primary responsibilities include financial accounting & management reporting. You will also co-ordinate information needs from other business analysts throughout the world.

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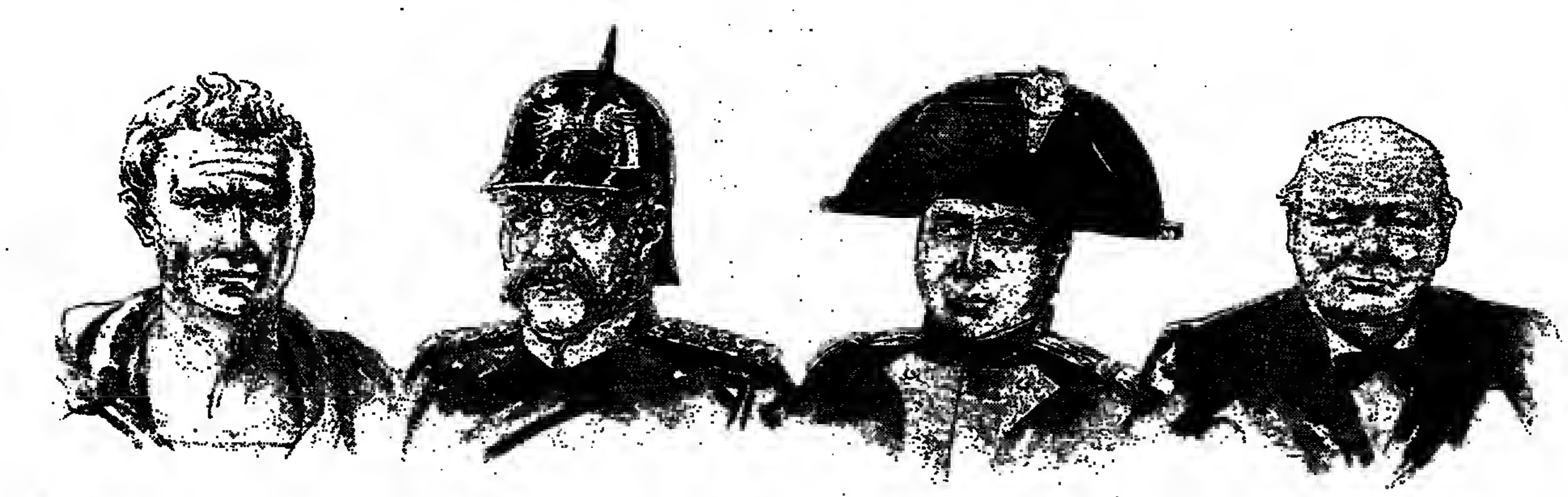

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Drawing on your experience of group accounting from a multi-national perspective, you will provide critical analysis and comment on monthly financial accounts and prepare standard reports for review by senior management. You will also assist with European consolidation and follow up on compliance issues.

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You will develop and support financial reporting systems to ensure the rapid and accurate delivery of information. This will involve considerable internal liaison with Finance, Training and Systems Groups to identify and meet user requirements.

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Financial Accountants

We are looking for recently qualified accountants who can contribute to financial reporting activities across our European operations. You'll join a small team which enjoys a high level of responsibility and wide ranging involvement with the business.

These are excellent opportunities to join a talented and growing financial team. The rewards include a generous salary and benefits package and Dell's outstanding success and development in Europe will continue to present exceptional opportunities for career progression.

To apply, please send your cv with salary details to: LJA Recruitment Management, 12 Celbridge Mews, Porchester Road, London W2 6EU. Telephone: 0171 243 1888.

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EAST LONDON & THE CITY HEALTH AUTHORITY

CITY & EAST LONDON FAMILY HEALTH SERVICES

Director of Finance

For the last two years the Health Authorities in East London have been engaged in a challenging agenda. A strategy for improving the health of East Londoners has been developed and is oow in the process of implementation. However, further challenges lie ahead.

Following the retirement of the current postholder, we are now looking for someone to join our senior team who can successfully manage the Authorities finances over the coming years. The Authorities combined annual budget is approximately £450m.

As Director of Finance, you will be a qualified accountant with extensive experience of corporate and strategic financial planning. With an impressive record of achievement within NHS or Public Sector finance, you will need to be capable of demonstrating strong staff management and leadership skills and the ability to deliver and influence, particularly at board level, in a complex changing environment.

We would welcome applications from people within NHS provider or Local Authority finance experience as well as DHA/FHSA backgrounds.

Competitive remuneration package available dependent upon experience.

To discuss this post further, please contact Peter Coe, General Manager, on 0181 983 2904.

FOR AN INFORMATION PACK, PLEASE CONTACT JOANNE SANDELL, TREDEGAR HOUSE, 97-99 BOW ROAD, LONDON E3 2AN. TELEPHONE 0181 983 2949 (24 HOUR ANSWERPHONE).

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E. Wedel S.A.

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Candidates should offer an exemplary track record of academic and professional achievement gained within major practice or a multinational blue chip company. This will be supported by a sharp intellect, strong business awareness and the proven ability to manage a commercially talented team. The ability to converse in Polish will prove highly advantageous.

Accountants interested in discussing this or other opportunities with PEPSICO FOODS INTERNATIONAL in Poland should contact our advising consultants at the number below.

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c. £52,500 + car + bonus

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The Deputy Group Financial Controller will need to understand quickly the key business issues critical to the future success of these international activities and build close relationships with the business managements in order to understand and interpret major trends and issues, assess sensitivities and the quality of available information, and provide input to main Board Directors. The role is also organised to provide high level review of the Group against external criteria; major business developments; capital investments; and acquisition proposals. As Deputy there is involvement in monthly management reporting, annual budgeting and statutory accounting through a small qualified team.

Applicants should be qualified accountants with an impeccable academic record and proven success at senior manager level in a top six firm or corresponding experience in a service sector environment. Individuals must have the personal influence and authority to work effectively with Main Board Directors and the energy, stamina and lifestyle to cope with sustained pressure. A strong commercial instinct, excellent presentation skills and extensive PC experience are essential. Age guide early thirties. Location Thames Valley.

Please apply in confidence quoting Ref L596 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
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Tel: 0171-240 7805

Mason & Nurse
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Director, European Audit

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You may already be at director level but seeking a more proactive and influential involvement, or at the managerial level, ambitious for directorial responsibility. Exceptional individuals from the accountancy professioe will also be considered. You should possess: a detailed technical knowledge of the range of investment banking activities; excellent management and people development skills and the personal presence to enhance the credibility of the function.

Atypical of the traditional view of audit, this opportunity should not simply be seen as a stepping stone. Rather, the Audit Director will be a more rounded individual with a broad commercial perspective and should aspire to senior management of the Bank.

To apply in strictest confidence, please write or, if you prefer, call on 0171 379 1100, quoting Ref: 016, enclosing a full CV to Tim Musgrave at The Bloomsbury Group, 2nd Floor. Bedford Chambers, Covent Garden, London WC2E 8HA. Telephone 0171 379 1100.

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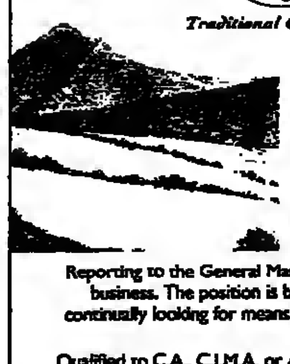

Financial Controller

East Sussex — **Competitive Salary+Car**

We are looking for an outstanding Accountant to play a senior role in the Management Team at Mayhew Country Chickens Ltd. Located at Uckfield in East Sussex, the Company employs four hunded people and is a leading supplier of fresh whole birds and portions to the retail, food service and manufacturing markets.

Reporting to the General Manager, the successful candidate will have a key role in the development of the business. The position is both strategic and hands on, with emphasis on planning future strategy and continually looking for means to improve the profitability of the Company, as well as reporting on financial performance and monitoring trading prospects.

Qualified to C.A., C.I.M.A. or A.C.C.A. level, candidates should have a minimum of five years experience in a finance function with a commercial outlook, preferably in a manufacturing or processing environment. More importantly, we are seeking outstanding leadership qualities, first class inter-personal skills and the energy and ambition to succeed in delivering our objectives of cost, quality and customer service.

In return, we are offering a competitive salary, depending on qualifications and experience. The package also includes a Company Car, Pension, Health Care and, where necessary, assistance with relocation. Career prospects in a young and rapidly growing organisation are outstanding.

Please send full personal and career details including current salary to:
Dr. James N. Young, Group Human Resources Manager, Grampian Country Food Group, Mugiemoss Road, Aberdeen AB2 9XA. Telephone: 01224 696113.

Grampian Country Food Group

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FINANCIAL TIMES

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Softbank to buy US magazine group

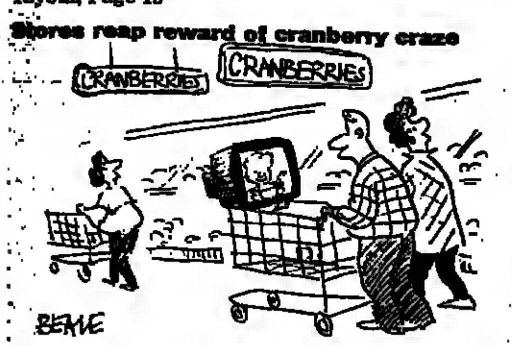
Softbank, the fast growing Japanese software distributor, agreed to pay Y180bn ($1.8bn) for Ziff-Davis Publishing, the US group which is the world's largest producer of computer magazines. Page 18

Veba warns but forecasts rise
Veba, the German industrial conglomerate, warned its strong growth was expected to tail off in the fourth quarter but said it expected full-year operating profits to rise about 40 per cent. Page 16

Cost-cutting helps Sony rebound midway
Sony, the Japanese electronics group, was helped back to profits in the first half by strong demand for its non-consumer electronics products and cost-cutting. Page 18

US and Japanese carmakers cut forecasts
Chrysler, the US carmaker, has followed Ford in reducing its prediction for fourth-quarter output. In Japan, Toyota has cut its domestic production forecast for the year to March. Chrysler, Page 17; Toyota, Page 19

Stores reap reward of cranberry craze



Since Ms Delia Smith, one of the UK's top food writers, began featuring cranberries in her popular TV series, demand for this North American fruit has soared. Tesco, the supermarket chain, reports a 350 per cent increase in sales of cranberries compared with this time last year. Page 31

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	689	+	19
[illegible]	697.5	+	17.7
[illegible]	319	+	11
Falls			
[illegible]	527	−	17
[illegible]	235	−	26.5
[illegible]	770.5	−	11.5
NEW YORK ($)			
Rises			
[illegible]	82	+	3⅞
[illegible]	13⅞	+	2⅛
[illegible]	43⅜	+	4⅞
[illegible]	64⅞	+	4
[illegible]	24⅞	+	2⅛
Falls			
[illegible]	83	−	4
LONDON (Pence)			
Rises			
[illegible]	1050	+	107
[illegible]	648	+	15
[illegible]	527	+	15
Falls			
[illegible]	132	−	7
[illegible]	374	−	17
[illegible]	280	−	17
TORONTO (C$)			
Rises			
[illegible]	71	+	5
[illegible]	53⅝	+	3
[illegible]	12⅝	+	2⅛
Falls			
[illegible]	47⅞	−	3
[illegible]	53	−	2
[illegible]	41	−	3
[illegible]	341.4	−	13.4

PARIS (FFr)			
Rises			
Dynamo	792	+	29
Ducros de France	719	+	21
Imetal	445	+	19
Legrand	791	+	20
Synthélabo	296	+	18
Falls			
TOKYO (Yen)			
Rises			
Fuji	1770	+	30
Fujitsu	1030	+	10
Kokusai	1520	+	20
Okamoto	621	+	11
Sanyo	4740	+	80
Falls			
Canon	1810	−	20
HONG KONG (HK$)			
Rises			
Hutchison	64	+	0.5
New World Dev	26.9	+	0.6
Falls			
Cheung Kong	14.9	−	0.6
Johnson Elec	15.4	−	0.8
Swire Pac A	58.25	−	1
Wharf	25.05	−	0.5
BANGKOK (Baht)			
Rises			
[illegible]	584	+	40
Falls			
[illegible]	270	−	8
[illegible]	140	−	8
[illegible]	171	−	6
[illegible]	238	−	14
Siam Cement	240	−	12

New York & Toronto prices at 12.30.

Alcatel and Mitsubishi in co-operation talks

Electrical and telecom activities are likely areas for partnership

By John Ridding in Paris

Alcatel Alsthom, the French transport, telecoms and engineering group, is holding discussions with Mitsubishi Electric of Japan aimed at co-operating in electrical and telecoms activities.

The French group, which has launched a restructuring programme after announcing first-half losses, said yesterday that discussions were at a preliminary stage, but said that there was a geographical fit between the two companies' activities.

Alcatel declined to give details about the negotiations, but they are thought to involve co-operation in telecoms, factory automation and semiconductors. The French group is particularly eager to find a partner to help develop its mobile telecoms operation, a sector in which it lags behind its main international rivals.

Telecoms analysts in Paris said that Mitsubishi's expertise in miniaturisation of mobile telephone components and its ambitions in GSM networks were attractive to the French company.

In September, Mr Serge Tchuruk, who took over as chairman earlier this year, said that the company would make a big push into mobile telecoms. He added that the group, which is expected to suffer a loss of more than FFr20bn ($4.1bn) this year after exceptional write-downs and restructuring charges, would seek partners to strengthen strategic business areas.

A partnership with Mitsubishi Electric is consistent with this strategy. It would also mark a step in Alcatel's attempt to develop its presence in the Japanese market. Although it obtains about 18 per cent of its sales in Asia, Alcatel has failed to make much of an impact in Japan. Last month, GEC-Alsthom, the engineering joint venture with GEC of the UK, signed a technology agreement for steam turbines with Mitsui of Japan.

Geographical considerations are similarly important for Mitsubishi Electric. The Japanese group, which is involved in many of the same sectors as Alcatel, including engineering, telecoms and a broad range of electronics, is keen to expand in Europe.

Alcatel is stepping up the pace of its reorganisation. Yesterday, Mr Tchuruk said he planned to eliminate many of the group's legal subsidiaries in order to simplify its structure, reduce costs and increase efficiency.

He said that productivity had been inadequate at the company for the past two or three years and repeated his target of returning to "good levels of profitability" by 1998 following a series of write-downs and asset disposals.

Mr Tchuruk declined to specify plans of a cut in the workforce. Analysts estimate that up to 30,000 jobs may be lost from the head count of 197,000.

Electrolux rises but warns of falling demand

By Christopher Brown-Humes in Stockholm

Electrolux, the world's biggest household appliances manufacturer, struck a pessimistic note about prospects in its main markets yesterday after clear signs of a weaker underlying profits trend in the third quarter.

Mr Leif Johansson, chief executive, said: "We have revised down expectations for market demand across our different product lines, especially in Europe."

His remarks came as the group announced a 21 per cent underlying rise in nine-month profits to SKr2.78bn ($418m) and a 4 per cent rise in profits to SKr677m in the third quarter. The figures were in line with expectations.

Tha group said third-quarter white goods demand in Europe had fallen below its expectations and was clearly on a downward trend. Volumes, which fell 1 per cent in the latest three months, could drop by up to 2 per cent over the next two quarters.

At the six-month stage, the group expected flat second-half demand, while at the start of the year it forecast a 3-5 per cent rise in European white goods volumes in 1995.

In the US – Electrolux's other main market – whita goods demand is expected to remain flat at best after falling earlier in the year. "But there is still a risk of a slight downturn," warned Mr Johansson.

White goods sales are seen as a key indicator of consumer demand. The abrupt reversal in Europe this year – volumes rose 4 per cent in the first quarter – adds to evidence that the European economy is slowing.

Mr Johansson said: "Most surprising was thet tha large German market fell by a couple of percentage points during the third quarter."

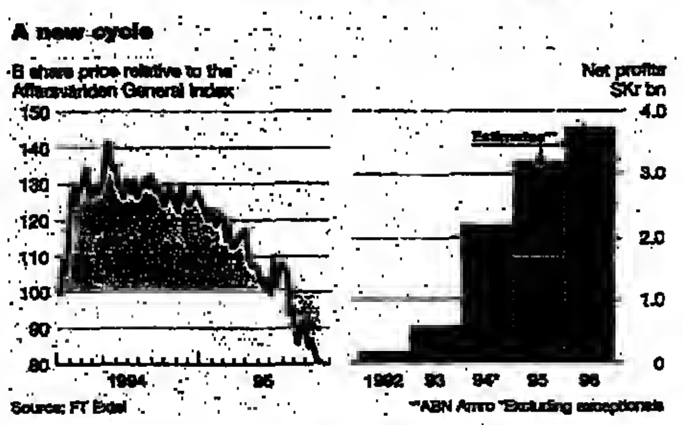
On the positive side, he noted that the group had been able to increase European white goods prices by 1-2 per cent – in spite of fierce price competition – compensating for a 6-7 per cent rise in raw material costs. The group was also building on its 25 per cent European market share, he added.

The group's underlying sales were 6 per cent higher in the first nine months at SKr88.8bn and operating income was up 21 per cent at SKr3.88bn. Operating income improved for white goods in Europe, but it fell in North America because of strong price competition and the costs of product launches.

In the third quarter, sales grew 5 per cent to SKr28.2bn but operating income fell 3 per cent to SKr955m. There were weaker results in the group's three core divisions – household appliances, commercial appliances, and outdoor products – but much stronger figures from Gränges, the industrial unit which Electrolux would like to sell.

Electrolux's shares have fallen by more than 20 per cent since mid-August, but yesterday they added SKr3.5 to close at SKr279.5.

A new cycle



Source: FT Extel **ABN Amro *Excluding exceptionals

BT flat midway as customers defect

By Paul Taylor in London

British Telecommunications has seen the number of its residential telephone customers fall for the first time, as competitors stepped up their assault on the privatised former monopoly.

Announcing flat half-year operating profits yesterday, BT acknowledged that cable television companies in particular were luring away some of its residential customers with promises of cut-price calls.

Britain has been a world pioneer in opening its telecoms sector to competition and several US telecoms groups have entered the cabla market. In addition to the cable companies, it faces growing competition from Mercury Communications and other new operators such as Energis, which is owned by the National Grid and has built its own fibre-optic network across Britain.

BT said although it was winning back some subscribers who had defected, it was still losing a net 30,000 customers a quarter. The company provides 20.5m lines to UK homes.

Nevertheless, as Sir Iain Vallance, BT's chairman, noted yesterday, the defections meant that in the three months to the end of September "for the first time we experienced a year-on-year decline in residential exchange lines amounting to 0.2 per cent".

To stem the defections, Mr Michael Hepher, BT's managing director, said the company would launch a nationwide television advertising campaign emphasising the "value for money" offered by BT's reduced phone charges.

Sir Iain blamed pressure from the growing number of rivals, strict price curbs imposed by the industry's regulator, Oftel, and the slowing growth rate of the economy for BT's flat first-half operating profits of £1.68bn ($2.6bn). Pre-tax profits in the six months to September 30 increased 7.6 per cent to £1.61m on turnover which grew 2.9 per cent to £7.05bn.

BT, which operates under strict price controls imposed by Oftel, claims its customers have seen reductions in real terms of more than a third in the cost of national calls and a fifth in local calls. BT said the effect of these price reductions more than outweighed the benefits of increased call volumes and that as a result inland call turnover fell 4.6 per cent in the half year.

However, Mr Colin Meek, a Consumers Association researcher, said: "BT has consistently targeted its price reductions where it faces most competition – at business customers.

"BT's monopoly of residential customers has only been dented. It still commands over 90 per cent of domestic business, and intense competition for some large business users should not camouflage this."

Details, Page 21; Cable company doubles telephone subscriptions, Page 20

Washington faces problem over Wednesday's $25bn payment

Overseas investors take dim view of US budget battle

The US budget battle has coma down to the wire. The government is close to its official debt ceiling and a temporary resolution, allowing Washington to function in the absence of a bndget, expires on Monday.

The unthinkable is being mentioned. On Wednesday, $25bn of interest payments are due and President Clinton's aides were describing default as "increasingly likely". But until yesterday the financial markets seemed blasé. On Wednesday night, the Dow Jones Industrial Average closed at an all-time high and the yield on the 30-year Treasury bond fell to 6.25 per cent, its lowest level since February 1994.

In part, this lack of concern reflects the conviction that the politicians will strike a deal. Mr Mike Rosenberg, managing director for international fixed income research at Merrill Lynch in New York, said: "I can't conceive that the US will default, even only for a day."

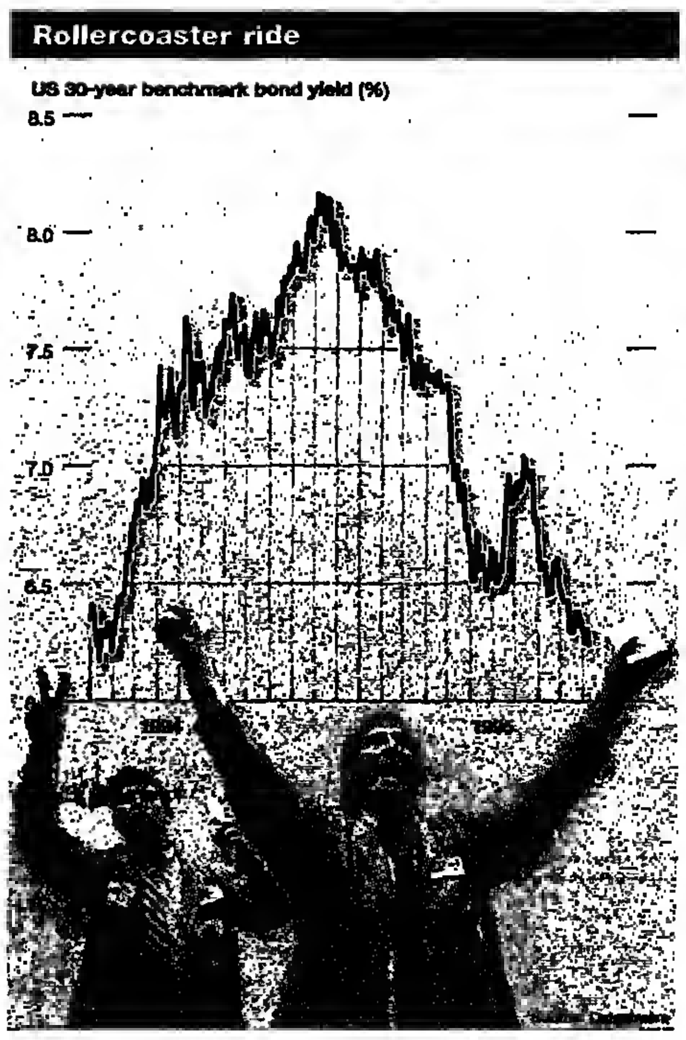
The politicians are jockeying for position, with Congress eager to couple any debt ceiling increase with reform measures. That explains the proposal which the House Ways and Means committee adopted on Tuesday. While the committee temporarily lifted the debt ceiling by $50bn, it attached conditions, including a reduction of the ceiling in December, which tha administration indicated would be unacceptable.

Even if no extension is granted by Congress, Mr John Youngdahl, senior money market economist at Goldman Sachs in New York, says: "It's exceptionally unlikely that Wednesday's interest payment will be missed." According to Mr Youngdahl, the Treasury can use a technical device involving government trust funds, in particular tapping the pension fund for government employees (although the House proposal would prevant them from doing this).

If weeks pass without a deal, the Treasury will come under increasing constraints. Bnt Mr Youngdahl says: "There is a very low risk of a default between now and the end of the year."

Some commentators do not think it will be too significant if a default does occur. "Is it necessarily bad for Treasuries if yon get a default, if that default is the result of arguments over how to cut the deficit in the long term?" asks Mr Nigel Richardson, head of bond research at Yamaichi International in London. "Does it alter the willingness or ability of the US government to pay off its debt? We are not looking at a Mexican-style default."

Rollercoaster ride



But US investors may be underestimating the impact that even a technical default would have on confidence outside the country. Mr Jonathan Francis, head of global strategy at Putnam Investment Management in Boston, says: "The perspective of investors outside the US on the problem is much more serious. To international investors, it is inconceivable that a country like the US could default on its debt."

A default would throw up logistical problems for those dealing in the money markets, where investors' cash flows may depend on the government's ability to pay interest. "It would be a nightmare in areas such as the repo (or repurchase) market, where traders have to account for accrued interest," says Merrill Lynch's Mr Rosenberg.

One can imagine the knock-on effects for bond mutual funds, whose fundholders will be expecting to be paid their quarterly distributions. Furthermore, some fund managers may have covenant constraints which prevent them from investing in defaulted securities, forcing them to abandon the Treasury bond market.

Goldman Sachs's Mr Youngdahl says "a default would have very significant consequences and they would be negative – higher bond yields in the short and medium term and a higher risk premium for US bonds and currency."

Indeed, the effect of default would undonbtedly be mada worse because the markets have been so confidently predicting that it will not happen. The rest of the world will be hoping that the US's confidence in its politicians is not misplaced.

Lex, Page 16;
Capital Markets, Page 26

Philip Coggan

BASF sees no upturn despite its strong growth

By Wolfgang Münchau in Frankfurt

BASF, the German chemical group, yesterday reported a 156 per cent increase in pre-tax profits to DM3.1bn ($2.19bn) in the first nine months and Mr Jürgen Strube, its chairman, said it saw no sign of a general European economic downturn.

BASF's results were slightly ahead of market expectations and the shares rose DM1 to DM306.

However, third-quarter sales growth slowed because of more intense competition and price pressures.

Mr Strube said that despite expectations of good results for the year, BASF would not repeat its 1989 record performance of a DM4.38bn pre-tax profit. Last year, it earned DM2.11bn before tax. The company intends to lift its dividend.

Turnover in the nine-month period rose 8.5 per cent to DM35.1bn.

In US dollars, sales growth was up 14 per cent because of the D-Mark's appreciation against most currencies.

The chemical business, traditionally the group's most profitable, was the largest factor behind the profits surge.

BASF took in DM300m of a total DM360m of restructuring costs from its acquisition of the pharmaceutical operations of Boots, the UK chemists' chain, and the restructuring of printing operations.

Mr Strube said BASF's restructuring was nearly finished. The workforce had fallen 0.7 per cent from 106,300 at the end of 1994. Most of the job cuts were in Germany.

Lex, Page 14

EUROPEAN NEWS DIGEST

Banesto upbeat on earnings outlook

Banco Español de Crédito (Banesto), the troubled Spanish banking group taken over by Banco Santander last year, was well on track towards profitability, said Mr Afredo Sáenz, the group's chairman. He expected Banesto to post net 1995 profits of Pta20bn ($163.9m) and that they could be slightly above this figure. In the first nine months, the group reported net attributable profits of Pta16bn against a loss of Pta17.2bn for the same period last year. The net profit forecast for this year is in line with analyst's projections and confirms the turnround at Banesto since it was acquired by Santander after the Bank of Spain and the private banking sector mounted the biggest domestic rescue on record. Banesto's previous chairman, Mr Mario Conde, is currently facing fraud charges.

Santander, which paid Pta2bn for Banesto, expects its subsidiary to raise its profits by 50 per cent to Pta30bn in 1996 and to break even on its investment in three years instead of the original estimate if four years. *Tom Burns, Madrid*

Bergesen slips into red in term

Bergesen, Norway's biggest shipping group, yesterday announced a NKr26m ($4.2m) pre-tax loss for the first nine months, compared with profits of NKr134m a year earlier when there were big foreign exchange gains. Operating losses narrowed from NKr65m to NKr78m.

Positive results from liquefied petroleum gas and dry cargo vessels could not offset poor profitability caused by a weak tanker market and large dry-docking costs. Tanker operations suffered heavy losses, although improved rates in the third quarter reduced the nine-month deficit from NKr209m to NKr191m.

LPG profits fell from NKr77m to NKr57m, while dry cargo profits rose from NKr37m to NKr49m. Bergesen saw no significant improvement in tanker rates for the rest of the year and forecast a weaker dry cargo market in 1996. The LPG market was expected to improve. *Christopher Brown-Humes, Stockholm*

Recticel lowers profit forecast

Recticel, the Belgian chemicals company, said sales in the first nine months rose 10 per cent from BFr21.4bn to BFr23.5bn ($807m). However, the company said it was lowering its 1995 net profit forecast after earlier predicting profits would be at least the same as 1994's BFr507m. The company said it hoped to make a profit this year. Recticel's division selling polyurethane foam for furniture has suffered increasingly in the second half of 1995 in western Europe. "However, Recticel group is taking firm and positive action. Projects under consideration include further rationalisations, which could, however, have an impact on the result of the group in 1995," it said. *AFX News, Brussels*

■ Bouygues, the French construction group, posted sales of FFr50bn ($10.2bn) in the first nine months, up 1.4 per cent on a year earlier. The provisional sales figure for 1995 would be FFr73.3bn, it said. *AFX News, Paris.*

■ Canal Plus, the French television company, posted nine-month sales up 8.1 per cent. Revenue from subscriptions rose 9 per cent, and revenue from other services was 6.1 per cent higher. Canalsatellite's turnover doubled from the year-earlier period to FFr331m. It had 4m French subscribers on November 6. Foreign subscriptions were up 11.7 per cent since January. *Reuter, Paris*

■ Porsche, the German automotive group, said it posted a net profit of DM2.1m ($1.5bn) in the year to July, compared with a DM150m loss last year. Sales rose 11.6 per cent to DM2.6bn. The board passed the dividend. *AFX News, Stuttgart*

Unitas forecasts return to profit for year

By Christopher Brown-Humes in Stockholm

Unitas, the Finnish financial group which includes the newly-formed Merita Bank, said it was heading for its first surplus in five years after reporting a FM189m ($44.4m) pre-tax profit for the first nine months.

The result compared with a FM357m loss in the first nine months of 1994. "We expect to return to the black with a modest profit for the full-year," said Mr Vesa Vainio, the new bank's chief executive.

Unitas agreed in February to merge its Union Bank of Finland unit with rival Kansallis-Osake-Pankki to form the biggest bank in Finland and one of the largest in the Nordic region with assets of FM200bn. Services are already marketed under the Merita name but the tie-up will not be finalised until the end of the year when the two groups' holding companies are combined.

The results, comprising Unitas's figures for the first nine months and KOP's for the six months since April, show the two banks finally leaving behind the slew of credit losses caused by the Finnish recession between 1991 and 1993. Operating profits of FM482m compare with losses of FM858m a year ago.

Credit losses fell from FM2.05bn to FM1.09bn as the country's economy strengthened. Full-year credit losses are expected to be below FM2bn, much lower than last year when KOP and Unitas each suffered loan losses of more than FM3bn. However, the improved economy has not revived loan demand. This meant the group's net income from financial operations of FM2.75bn was about FM200m less than the two banks reported last year.

Unitas said 150 KOP and UBF branches had already been combined and the number of personnel cut from 18,628 at the beginning of the year to 16,870 at the end of September. A further 1,500 staff have agreed to take redundancy.

Despite its dominance of the Finnish market, the bank has retained market share. Its share of private customer lending has risen from 43.2 per cent at the end of last year to 43.5 per cent and its share of deposits has climbed from 43.1 per cent to 43.3 per cent.

Non-performing loans totalled FM7.8bn at the end of September, down from FM11.5bn for both UBF and KOP a year earlier.

The group has ruled out a dividend for 1995 but hoped to pay one on next year's earnings as its recovery strengthens.

Veba warns despite big rise

By Michael Lindemann in Bonn

Veba, the German industrial conglomerate, yesterday warned its strong growth was expected to tail off in the fourth quarter but indicated it expected full-year operating profits to rise about 40 per cent above 1994's record DM3.5bn ($2.47bn).

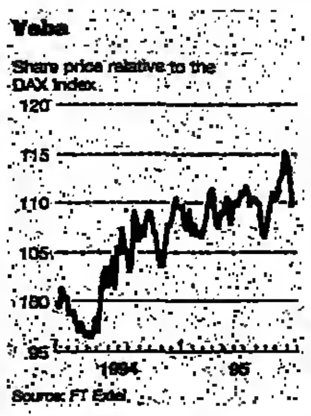
The Düsseldorf-based group reported a 45 per cent rise in net profits to DM980m for the nine months ending September 30. Pre-tax profits increased from DM1.5bn to DM2.1bn. The strong growth was driven by improved performances at the Hüls chemicals division and by the petrochemicals business at Veba Oel, the oil division. Earnings had not been weighed down by restructuring costs as they had a year ago.

However, in line with other German chemicals companies reporting earlier this week, Veba said the chemicals business had passed its peak.

Veba's petroleum business, a part of Veba Oel, reported a loss for the nine months because refinery margins stayed "unsatisfactory". Prices for petrochemicals had also fallen slightly, the company said, but higher oil prices generally had been able to compensate for losses caused by the fall of the dollar against the D-Mark.

Turnover in the nine months rose 4 per cent to DM54.6bn. Four of the company's five divisions contributed to the sales increase while turnover fell in the electricity division because some east German businesses had been sold.

Start-up investments in telecommunications, where Veba has linked with Cable & Wireless and wants to become one of Germany's biggest operators after liberalisation in 1998, led to a loss for the division. Telecoms sales were DM271m, from DM80m last time.



Eni privatisation oversubscribed by Italian investors

By Andrew Hill in Milan

EQUITY OFFERING

Italian institutional investors have already subscribed for more than their upper limit of shares in Eni, Italy's state-owned energy and chemicals group, the banks co-ordinating the sale announced yesterday.

IMI, the Italian bank co-ordinating the sale with Credit Suisse First Boston, is understood to have received requests for more than 285m shares – the maximum reserved for the Italian institutional tranche. Italian institutions will receive between 185m and 285m of the 1.35bn-1.95bn Eni shares to be sold.

Bankers said international investors were showing "greater than expected" interest in the sale, which could raise more than L10,000bn ($6.29bn). Eni management and officials from the Italian treasury, which owns all Eni's shares, are in the middle of an international road show to the US, Kuwait, Hong Kong and Tokyo, as well as European financial centres.

Banks in Italy also began taking reservations for shares from individual shareholders this week. Between 400m and 1bn shares have been earmarked for domestic investors. Advisers believe it will be difficult to estimate retail demand until next week, nearer the November 19 pricing.

The treasury has set a price range of L5,250 to L6,000 a share, for the sale of a stake of between 17 per cent and 24 per cent. The final decision will have to take account of international investors' worries about the Italian political situation.

The Italian stock exchange council confirmed yesterday that Eni would be considered for inclusion in the next revision of the MIB 30 index of the largest and most heavily traded Italian stocks.

Separately, the public-sector foundation which owns Cariplo, the large Italian savings bank, has begun the search for advisers to co-ordinate the planned stock market flotation of the bank. The foundation announced late on Wednesday that it had asked three Italian securities houses – Akros, Albertini and Sopaf – and six international groups to pitch for the business. The international banks are Bear Stearns, Goldman Sachs, Morgan Grenfell, Morgan Stanley, Schroders and UBS.

Salomon Brothers advised the bank on a two-stage capital increase and flotation last year, but adverse market conditions forced Cariplo to postpone the operation in July.

Accor open to listing hotel arms locally

By Scheherazade Daneshkhu Leisure Industries Correspondent

Mr Christian Karaoglanian, vice president for hotel development at Accor, the French hotels and travel group, said yesterday the company had an open mind about listing subsidiaries on local stock exchanges.

Until a few years ago Accor had been against the idea, he said, but the situation had changed with the growth of the company internationally. "We are on the verge of changing our mind about listing subsidiaries." He said one consideration was that "we have to develop most of our brands very quickly and we need cash for that".

Accor might consider listing specific products, such as the Formule 1 budget chain of hotels, said Mr Karaoglanian, or batch together products in various countries, such as listing the 29 hotels it has in the UK on the London Stock Exchange, or the Motel 6 chain in the US.

Mr Karaoglanian was speaking at a conference on the European hotel industry in London organised by hotel consultant Pannell Kerr Forster, Salomon Brothers, the investment bank, JLW hotels, the property advisory arm of Jones Lang Wootton and American Express, the travel and financial services company.

Accor is Europe's largest hotel company with 256,000 rooms spread across 65 countries, and has principally used joint ventures to expand. It has an important subsidiary company in AAPC (Accor Asia Pacific Corporation), which was formed in 1993 and is listed on the Sydney and Hong Kong stock exchanges.

Accor holds a a 25 per stake in the company and Mr Karaoglanian said it had enabled Accor to axpand quickly in the Asia-Pacific region from about 10 hotels to 100.

Accor's Paris headquarters said yesterday that the company had no plans to list any subsidiaries.

Europe Online sets launch date

By Judy Dempsey in Berlin

Europe Online, the electronic information network, yesterday confirmed it will launch services in English, French and German on December 15.

The announcement follows months of uncertainty about Europe Online's ability to cope with the rate of technological change and doubts about the stability of its ownership structure.

Shareholders include Burda, the German publishing group and one of the original founders; Pearson, publisher of the Financial Times; and a group of Luxembourg-based private investors. Matra Hachette, the French publisher, will no longer remain a shareholder but will be one of the main content providers with Pearson, Burda and Axel Springer, one of Germany's largest publishers.

Springer had been due to take a 21.3 per cent stake in the company but pulled out last month partly for financial reasons as well as differences over strategy with the current shareholders. However, Vebacom, the telecommunications division of Veba, Germany's large industrial conglomerate, still intends to take a 10 per cent stake in the company.

Europe Online aims to attract 3m subscribers over the next five years, an ambitious target for a company which has no US "parent". Bertelsmann, the German publishing and entertainments group which said it intended to launch its online services this month, has a joint venture with America Online, the fastest growing US network.

Europe Online will provide a wide range of services, including news, home teleshopping, travel details, banking and educational services and will have a distinct European flavour reflecting through its content regional political, social and cultural issues.

Drugs deals set for friendly future

Companies and bankers are running out of big targets for hostile bids

After masterminding a two-year $70bn merger and acquisition spree by the drugs industry, investment bankers are scratching their heads about what to do next.

The problem? Their traditional target groups – independent publicly quoted companies with market capitalisations of between $6bn and $12bn – have been snapped up. And there are only two or three capitalised at between $2bn and $6bn.

Companies such as Marion Merrell Dow, American Cyanamid, Sterling Health and Syntex of the US and Wellcome of the UK have disappeared. The clear-out of mid-sized companies was completed in recent weeks by the sale or planned merger of Fisons of the UK, Upjohn and Ivax of the US, Sweden's Pharmacia and Norway's Hafslund Nycomed.

Large acquisitive drugs companies have two choices: bid for, or merge with, their equally large peers, or seek out the small fry. But although their favourite prey is extinct, merchant bankers are convinced there are more deals to come, even if the target will change.

"There will continue to be pharmaceuticals mergers and acquisitions at all levels," says Mr Charles Floe of Lehman Brothers, the US investment bank which advised Hoechst on its $7.1bn acquisition of Marion Merrell Dow, and Rhône-Poulenc Rorer's £1.8bn ($2.8bn) takeover of Fisons.

Mr Clint Garton, head of the healthcare group at investment bank Morgan Stanley, which advised Wellcome in its £9.1bn takeover by Glaxo, and Pharmacia in its merger with Upjohn, agrees: "It's our view that consolidation in the pharma industry will continue its extraordinary pace for the next few years."

There are two reasons for this confidence. The first is that the pressures for consolidation are still present. The drugs industry's customers are continuing in their attempts to control ever-rising healthcare costs. Although medicines represent only a small proportion of such costs, drugs companies, with their large profit margins, are in the firing line. They have been hit by price-control or volume-control measures in all their main markets. They see cost-cutting after a merger or acquisition as a way to rebuild margins.

The second is that even after the deals done so far, the sector remains extraordinarily fragmented by comparison with other global industries such as motor manufacturing and aerospace. According to Scrip, an industry newsletter, more than 60 companies have annual drugs sales of more than $500m. More than 130 have sales of more than $100m a year.

The industry's fragmentation and the need to cut costs mean many in the industry believe the sector will eventually resemble other multinational industries.

Drugs companies are scrambling for market share. Mr Jan Leschly, chief executive of SmithKline Beecham, the Anglo-American healthcare group, says that his $7bn of deal-making in 1994 should be seen as a move to cement the company's place in the top 10.

And Sir Richard Sykes, chief executive of Glaxo Wellcome, of the UK, says that even though his company is the world's biggest drugs company with more than 6 per cent of global medicina sales, he would make further acquisitions if he felt enough others were taking an even larger market share.

But that kind of thinking leaves companies that want to grow by acquisition with a problem. A small deal would *not achieve tha strategic aim* of adding substantially to market share, while even the smallest of the big deals would bet the future of the buyer on a single transaction.

There are two other possibilities, says Mr Floe. Mergers or asset swaps instead of full takeovers, and a string of deals with smaller companies.

Mergers have been done before. In 1989, SmithKline Beckman merged with Beecham, and US companies Bristol-Myers and Squibb agreed to get together.

But there are almost no precedents for large drug industry asset swaps. The closest the industry has come was a plan for the exchange of SmithKline Beecham's vaccines division for American Cyanamid's drugs side. It was scuppered by the $10bn takeover by American Home Products of Cyanamid in 1994.

Ontright acquisitions of smaller companies can be difficult too. Many of the companies with valuations of about $1bn are European family-controlled concerns whose shares are not openly traded.

"That frequently means creative financial structures, perhaps involving partial acquisitions at first to accommodate family desires to balance their investment portfolios but keep a degree of management and/or financial control of the business," says Mr Floe.

Mr Garton presents a third possibility: mergers among the smaller companies. "Some companies at the mid-to-smaller level are seeking mergers with each other to avoid becoming takeover targets themselves," he says. He warns that few companies are secure. A big stakeholder in Wellcome, the Wellcome Trust, and Marion Merrell Dow, Dow Chemical, did not prevent them being sold.

Companies with big single shareholders include Rhône-Poulenc Rorer, the US company controlled by France's Rhône-Poulenc, and Sanofi, the French company 51 per cent owned by its French parent Elf Aquitaine, and German companies with bank shareholdings.

Neither Mr Garton nor Mr Floe entirely rules out another mega-bid within the premier league of $12bn capitalisation-plus companies. But the possible combinations are few and risky: only the top few could even think about bidding for a $12bn group.

"Acquisitions of that size are extremely specific to the strategy of the buyer," says Mr Garton. "They would have to address a specific need."

The consensus is that for the time being, the age of the *multi-billion* dollar hostile bid is probably over. The future is likely to be about smaller deals, more friendly than hostile, with the occasional large transaction, again likely to be friendly, to remind the market of drugs companies' rich potential.

Daniel Green

Microsoft to sell its 10% Dorling Kindersley stake

By Christopher Price in London

Microsoft yesterday put its 18 per cent atake in Dorling Kindersley, the UK reference book and CD-Rom publisher, up for sale in a move which could raise the US software group about £60m ($94.8m).

The UK group's ahares fell 5 per cent on the news, since Microsoft had been seen as a possible buyer of the company. The shares closed closed down 26p at 510p.

Mr Peter Kindersley, chairman and chief executive of Dorling Kindarsley, admitted that it had beld talks on a number of occasions with Microsoft about the US group taking control, but that "no formal offer" had aver been made.

Microsoft paid £8m for its stake in Dorling Kindersley in 1991 as part of a publishing deal between the two groups.

Mr Bob Eshelman, a Microsoft executive, said: "Our stake has matured and we thought it was a good time to realise our investment."

Mr Kindersley, wbo retains a 37 per cent stake in the group he helped found in 1974, said: "We have moved in different directions since our original deal five years ago. The overlap between our two bnsinesses, while still of some value, has been diminishing." He added that current trading was ahead of last year.

The UK group helped Microsoft develop its first CD-Rom five years ago. Since then, the US group has continued to use Dorling Kindersley's extensive picture file, while the UK company has begum publishing its own CD-Roms.

These are sold alongside the group's more well-known illustrated educational reference books. Last year, the group's multimedia division produced sales of £13m, against £2.5m last year.

Tha multimedia interests have helped rapid growth in the group's revenues. Pre-tax profits have risen from £3.66m on sales of £42.8m in 1991, the year before the company floated, to £12.7m on £138.8m in the year to September 301995. Analysts are forecasting profits of £16.5m for this year.

Dorling Kindersley has only a small presence in the fast-expanding CD-Rom market, estimated at $600m a year. Microsoft is the world leader.

Loss-making US unit hits Molson

By Robert Gibbens in Montreal

Problems at its loss-making US special chemicals unit, a slow retail economy in Canada and higher interest costs hit Molson Companies' second quarter and first-half results severely.

But Molson Breweries, 40 per cent owned and Canada's biggest brewer, improved its domestic market share in the second quarter and profits were stable. Foster's of Australia also owns 40 per cent and Miller of the US the remaining 20 per cent.

Mr Marshall Cohen, president, said the key to Molson's performance for tha year to the end of next March would be a turnround at Diversey, its specialist chemicals unit, in the second half. Analysts believe Molson is trying to sell Diversey, which could be worth more than US$500m.

Group second-quarter net profit fell to C$9.2m, or 16 cents a share, from C$32.7m, or 56 cents a year earlier.

First-half earnings were C$29.1m, or 50 cents, down 65 per cent from C$81.9m, or C$1.40, a year earlier. Revenues were C$1.67bn against C$1.66bn. The latest period included a 17 cents a share charge for rationalisation of Diversey US, against a 29 cents gain in the 1994 period.

Diversey, Molson'a biggest business segment, abowed a first-half operating loss of C$7.9m against profit of C$32.4m.

Molson Breweries, reporting separately, had second-quarter operating earnings of C$60.6m, against C$65.1m a year earlier.

Chrysler production target for year cut

By Richard Waters in New York

Chrysler bas cnt its production targets for the rest of the year, adding to the gloom enveloping the US car industry.

Like its larger rival Ford, which cut production targets several days before, Chrysler has been hit by falling car sales. But sales of Jeeps and minivans have remained strong.

The company has reduced its fourth-qnarter productiou forecast by 37,000 vehicles, or 5 per cent. Ford had shaved its forecast by about 2 per cent, to just over 1m vehicles.

The moves follow softer October sales figures released by the US automobile makers last week, and come amid signs that manufacturers are once again increasing incentives to attract buyers. Hefty incentives in the first half of this year, largely to clear old models in preparation for a batch of new vehicle launches this autumn, have already left their mark on profits.

Despite the production cut, Chrysler is still expected to produce more vehicles than in the final quarter of 1994. But the need to pay higher incentives would eat into profit margins, said Mr David Healy, an industry analyst at Burnham Securities. He estimated that incentives of abont $800 a vehicle, compared with $500 a vehicle a year before, would probably cut fourth-qnarter earnings to $800m-$900m, from slightly more than $1bn.

Ford, meanwhile, is expected to be hurt by continuing costs from the launch of new models of its biggest selling vehicles in both the US and Europe.

Ford had warned three weeks ago it expected weak third-quarter earnings to extend into the final three months. Wall Street has cut estimates for Ford's fourth-quarter earnings further in recent days, to 25-30 cents a share.

The forecasts suggest a rare fourth-quarter loss for Ford on its automotive business, offset by profits from financial services.

Buoyant minerals prices boost SPCC profit

By Sally Bowen in Lima

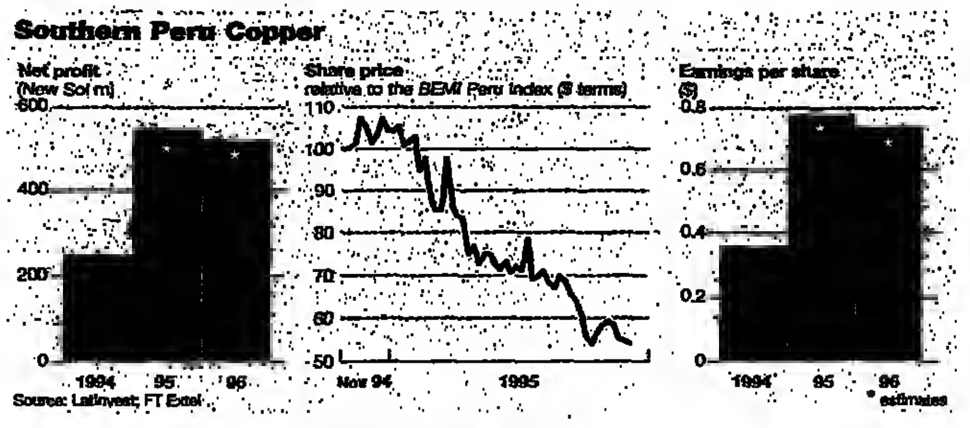
Helped by buoyant international minerals prices, Southern Peru Copper Corporation, Peru's largest exporter and second only in sales to Telefónica del Peru, more than doubled nine-month earnings. Profits to September were $155m on sales of $708m.

Third-quarter profits were equivalent to 26 per cent of net sales, compared with 14 per cent a year earlier.

SPCC, majority-owned by Asarco of the US, is seeking to list as a separate entity on both the New York and Lima stock exchanges. The company is expecting approval within a month from the US Securities and Exchange Commission and its Peruvian counterpart, Conasev.

If approval is granted, it will effect an "exchange offer", issuing voting shares to replace the substantial numbers of non-voting shares which have long been traded in Lima.

"The logic of the move is to give us enhanced access to the international financial system," Mr Charles Preble, chief executive of SPCC, says. "We must look to the future – and it's a rosy one."



SPCC is perhaps Peru's most celebrated survivor. It escaped the nationalising hand of General Juan Velasco's leftwing military government in the 1970s. During the Velasco period, almost all other large foreign-owned concerns – including US-owned Cerro de Pasco Corporation, now Centromin – were expropriated.

Maintaining as low a profile as was possible for a company responsible for up to two-thirds of national copper output, SPCC then narrowly survived the economic devastation of the Alan Garcia regime between 1985 and 1990.

For long-serving Mr Preble, who has lived in Peru for 30 years, the advent of President Alberto Fujimori and economic liberalism meant an enormous improvement.

Settling long-standing differences with the government in 1991, SPCC became the first established foreign company in Peru for decades to make a significant investment commitment. To date, SPCC has spent $362m of a projected total of $445m on environmental improvements, new machinery and equipment, and expansion of output.

A new solvent-extraction/electrowinning (copper recovery) plant at Toquepala in southern Peru is already operating on a trial basis: it should be in full production by the end of the year. The projected output of 39,000 tonnes of refined copper represents a 9 per cent rise in total national production.

Substantial sums have also been invested in a sulphuric acid capture plant for the smelter at the southern port of Ilo, now running on a trial basis. Apart from the long-awaited environmental benefits, much of the acid produced will be destined for the Toquepala leaching operation.

Drilling on the extensive site of SPCC's two mines, Cuajone and Toquepala, has also led to the recent announcement of an increase of 113 per cent in proven and probable reserves. The 1,250m short tonnes mean the mines have 40 yaars of secured life at current levels of exploitation.

Production is slightly down this year from 1994's record level. While sharply improved profits are largely due to copper prices - an average of 36 per cent higher than in the same period last year - the company has also made great strides in improving productivity and cutting costs of sales, Mr Preble says.

The June 1994 purchase of the formerly state-owned refinery at Ilo has assisted rationalisation of SPCC's operations. The company paid $67m at auction for the Ilo plant, where it had previously been obliged to refine most of its blister copper under a tolling agreement. Production costs are down to 52 cents a pound this year (from 1994's 67 cents), while SPCC projects 1996 costs at 56 cents.

The company has a wide range of other exploration activities, though is characteristically cagey about revealing details. It is also "evaluating the possibility of participating in the privatisation of Ilo," Mr Preble says. Probable partners in the Ilo venture would be Peru's Banco Wiese and an unnamed Bolivian company.

AMERICAS NEWS DIGEST

MCI moves into the music business

MCI, the US telecommunications group, is launching a new service that sells compact discs and cassettes directly to the home. The MCI system, which is called 1-800 MUSIC NOW, enables consumers to order 5,000 albums by touch-tone telephone or the Internet. MCA Music, one of the largest US record companies and a subsidiary of Seagram, the Canadian drinks group, is handling the distribution side of the service.

The move illustrates the growing trend for consumers to buy music from home, rather than through record stores. This was triggered partly by the reluctance of older consumers to go into youth-oriented record sbops, and partly by growing sophistication in musical taste, whicb means that many people want access to a wider range of albums than those available in local stores.

The direct-to-the-home music market initially concentrated on mail order and specialist clubs, but has recently shifted to on-line media, notably the Internet. Though transactions on the Internet constitute only a tiny proportion of the US music market, some factions of the industry believe that this percentage will rise significantly by the late 1990s.

The launch of the new MCI service follows shortly after another substantial music industry deal – the merger of the music publishing interests of the pop star, Michael Jackson, with those of Sony Music, his record label. Mr Jackson is believed to have received $90m from Sony and to own a 50 per cent stake in the merged company. *Alice Rawsthorn*

Domtar plans $350m disposal

Domtar, the big Canadian pulp and paper and packaging group is selling its gypsum wallboard business in Canada and the US to Georgia Pacific for US$350m cash, effective early 1996. The wallboard division has 18 plants in Canada and the US and 1,350 employees. It is the third largest wallboard producer in the US. Domtar has long been seeking to sell the division, and the timing coincides with an expected recovery in the US construction market.

Domtar hopes to sell its profitable plastic panel business by the year-end. The two deals will take Domtar out of building materials, allowing it to concentrate on pulp, fine papers and packaging products. *Robert Gibbens*

Power Financial 20% ahead

Power Financial, the international financial services group cootrolled by Montreal financier Mr Paul Desmarais, is benefitting from better performance by its North American life insurance and mutual funds units and a higher contribution from Pargesa, the European industrial and communications group jointly controlled with Belgium's Frere family. Third-quarter net income was C$74.8m (US$55.2m), or 82 cents a share, up 20 per cent from C$62.1m, or 68 cents, a year earlier, on revenues of C$1.7bn, up 3 per cent. Nine-month profit was C$221.2m, or C$2.43, up 14 per cent from C$194.7m, or C$2.14. Revenues were C$5.2bn against C$4.6bn, up 12 per cent. *Robert Gibbens*

IBM cuts 1,200 jobs

IBM cut about 1,200 jobs yesterday as part of a broader cost-cutting action announced last month. The computer company previously announced it would take a charge of about $800m in the fourth quarter for restructuring.

IBM's workforce has been cut from 302,000 at the start of 1993 to 220,000 at the end of last year. While the latest job cuts are not nearly so big, they affect most parts of the company, including several software product groups and all hardware groups except personal computers. *AP-DJ, New York*

INTERNATIONAL COMPANIES AND FINANCE

Softbank agrees to pay Y180bn for Ziff-Davis

By William Dawkins in Tokyo

Softbank, the fast growing Japanese software distributor, yesterday agreed to pay Y180bn ($1.8bn) for Ziff-Davis Publishing, the world's largest producer of computer magazines.

The deal, ambitious for a company of Softbank's size, is the climax of a more than $2.8bn US acquisition campaign since July last year, and *leaves a substantial profit in* the hands of the US group's owner, Forstman Little, the New York investment bank.

Forstman Little paid the equivalent of Y145bn for a 94 per cent stake in Ziff-Davis Publishing late last year, beating a bid from Softbank, which has pursued the magazine group ever since.

Softbank, founded 14 years ago, said it bought Ziff-Davis Publishing to increase its own prominence in the global computer industry. The US company's titles include PC Magazine, PC Week and MacWeek.

Softbank, which made a recurring profit – before tax and extraordinary items – of Y4.69bn, on sales of Y86.4bn in the year to last March, plans to *finance 60 per cent of the pur*chase price through a loan from the Japanese parent company to its US offshoot. The remaining 40 per cent will come from an offer of new Softbank shares.

Until floating on Japan's over-the-counter market last year, Softbank was best known as the country's largest distributor of computer software.

Since then, it has used its flotation proceeds, bank borrowings and capital raised from a new share issue to build a US presence.

Last year, it paid $202m for Ziff-Davis' trade show division, followed by the $800m purchase early this year of the computer exhibition unit of Interface, a US trade show *group which organises* Comdex, the world's largest computer trade event.

In June, it formed a joint venture, Gamebank, with Microsoft, the US software group, to distribute software for *personal computer games* in Japan.

Sony bounces back to black

By Michiyo Nakamoto in Tokyo

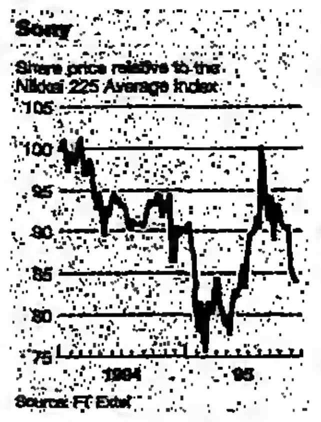
Sony, the Japanese electronics group, was helped back to prof*its in the first half by strong* demand for its non-consumer electronics products and cost-cutting. Last year, the group recorded a loss because of a substantial write-off relating to its Hollywood film operations.

Group pre-tax profits for the six months to end-September were Y47.9bn ($468m), against a loss of Y279.9bn last time which was mainly due to a Y265bn write-off of good will and a Y50bn exceptional loss in the pictures group.

The improved performance was achieved in spite of a further strengthening of the yen in the period, and rising inventory levels on the consumer electronics side. The inventories have raised concerns among investors and put a strain on Sony's share price. However, its shares closed up Y80 at Y4,740 yesterday.

The group's profits were attained on sales of Y2,047bn, up 11 per cent on the Y1,837.3bn posted previously.

Sony attributed its improvement mainly to buoyant demand for non-consumer



products, such as semiconductors, CD-Rom drives and computer displays.

The video and audio equipment divisions showed sales rises of less than 1 per cent in the first half. The increase was supported mainly by growing demand for camcorders with liquid crystal displays, and MiniDiscs. Television sales were lifted by strong demand for computer displays, Sony said.

The PlayStation, the company's 32-bit video games machina, also enjoyed brisk demand. Sony expects unit sales of the PlayStation, which was launched almost a year ago, to reach 2m units by the year-end. A further 1.2m units are expected to be sold in the US and Europe.

By far the largest increase in electronics sales was achieved by non-consumer products, which posted 44 per cent growth to Y537.6bn.

Sony's entertainment businesses did not fare as well, with sales down almost 7 per cent in the film operations and up only 2 per cent for the music group.

Popular music albums, including *Daydream* by Mariah Carey, the *Greatest Hits* album of Michael Bolton and box-office hits, such as *Desperado* and *The Net*, failed to lift the overall performance of the entertainment businesses.

The parent company suffered a 46 per cent drop in recurring profits – before tax and extraordinary items – owing to a sharp fall in dividend and interest payments. Sales were 5.5 per cent up at Y987bn, helped by a pick-up in the domestic market.

Sony is forecasting a 10 per cent increase in group sales for the full year to Y4,400bn and pre-tax profits of Y155bn, compared with a loss of Y220.9bn.

ASIA-PACIFIC NEWS DIGEST

BankWest registers 20% rise for year

BankWest, the Western Australian bank which is being sold to Bank of Scotland for A$900m (US$676m), yesterday announced a 20 per cent increase in after-tax profits to A$99.2m in the year to end-September. The bank said the 1994-95 figures included a A$3.6m extraordinary surplus, while the previous year's results had been depressed by a A$16.9m abnormal charge.

Operating profit before tax and abnormals appeared to fall slightly between the two years, from A$145.4m to A$138.4m. However, the bank said comparisons were distorted by the sale of its Primary Industry Bank of Australia unit in September 1994. "On a truly comparative basis, BankWest achieved a 38 per cent increase in net profit, from A$69.3m to A$95.6m," Mr Ian Mackenzie, chairman, said.

The company added that the environment had not been easy, with the slowdown in housing lending and "intense competition from banks and non-banks". However, it claimed that its position in the business market had afforded some protection.

Total business loans outstanding increased 9.2 per cent to A$3.3bn. Total assets by the year-end were A$10bn, a 4.4 per cent increase over the year-earlier figure. Net interest income rose from A$272.8m to A$290.1m, and operating income advanced 3.6 per cent to A$402.7m. Operating expenses were static at A$252.5m, against A$252.7m. *Nikki Tait, Sydney*

Mitsubishi Estate slides 77%

Mitsubishi Estate, Japan's largest property developer, yesterday said the weak commercial property market was to blame for a collapse in profits and sales for the first half of the year. The group reported a 77.2 per cent decline in unconsolidated recurring profits – before tax and *extraordinary items* – to Y6.77bn ($66.2m) in the six months to September. Sales fell 23 per cent to Y176.67bn.

The results were not affected by the decision in September to give up ownership of the New York Rockefeller Center, one of the most prominent Japanese acquisitions in the US, with a loss of more than $2bn. Instead, the decline resulted from a lack of large commercial development contracts, which had supported sales in the same period last year. Net income fell 85 per cent to Y3.14bn.

For the full year to March, Mitsubishi Estate is predicting a less steep decline than at the halfway stage, with recurring annual profits expected to fall 23 per cent to Y25bn, on sales down by 6.6 per cent to Y394bn.

The first sign of movement in the Tokyo property market came last month, when the group sold an office block in the Otemachi business district for Y75.6bn, the first significant property sale there in decades. *William Dawkins, Tokyo*

MIM lifts operating profit

Shares in MIM, the Queensland-based mining group, rose three cents to A$1.88 yesterday after the company told shareholders at its annual meeting that it made an operating profit after tax in the first quarter of 1995-96. The figure, it added, was ahead of that achieved in the same period a year ago.

MIM does not report quarterly figures. In 1993-94 overall, however, it suffered an after-tax loss of A$216.1m (US$161.9m), partly because of asset writedowns, an industrial dispute at its core Mount Isa units and technical difficulties in the copper smelter there. The operating loss, before tax and exchange differences, was A$9.2m. *Nikki Tait*

Hicom passes quietly into private hands

With scarcely a murmur of corporate comment, one of Malaysia's biggest companies is quietly changing hands. Hicom Holdings, the government vehicle for an ambitious industrialisation programme, is being sold off to the private sector.

The new owner is Mr Yahaya Ahmad, one of a small group of multi-millionaire bumiputra, or native Malay, businessmen who have emerged on the corporate scene in recent years. Mr Yahaya is paying between M$1.7bn-M$1.9bn (US$670m-US$750m) for a controlling 32 per cent stake in Hicom, to be purchased from Khazanah Holdings, the state investment company.

Hicom has six companies listed on the Kuala Lumpur stock exchange with a total market capitalisation of more than M$15bn, and the lack of publicity surrounding the deal has puzzled some stock market watchers.

Hicom was partly privatised earlier this year. Its main assets are a 27.5 per cent stake in Perusahaan Otomobil Nasional, manufacturers of the Proton "national car", and a 30 per cent stake in Edaran Otomobil Nasional, a conglomerate which distributes the Proton and controls a bank, a finance company and an insurance business.

Other Hicom companies include one of Malaysia's biggest cement concerns and property associated companies. After the sell-off, the government will retain about 25 per cent of Hicom shares.

"The Hicom sale is one of the biggest sell-offs in Malaysia, with long-term implications for several sectors of the economy," one local market analyst says. "The government is sensitive to accusations that it is selling off its corporate crown jewels to politically well-connected individuals. It probably does not want too much to be said about the deal."

Mr Yahaya, a UK-trained vehicle engineer, now becomes Malaysia's motor magnate par excellence. Proton, protected by high tariff barriers on imported cars, has well over 60 per cent of the domestic car market. Mr Yahaya's listed Diversified Resources group of companies already has a considerable presence in the country's car market.

The company assembles a three-door Proton variant and a range of imported four-wheel drive vehicles. Earlier this year, Diversified Resources, together with Proton, established a car manufacturing venture in the Philippines. Mr Yahaya has an agreement with Citroën of France to manufacture another national car in Malaysia.

> The Malaysian government, dominated by the majority Moslem Malays, has made no secret of its wish to build up a core group of Malay entrepreneurs capable of challenging the economic power of the minority Chinese

Other companies in the Yahaya group are involved in assembling military vehicles and running a bus service in Kuala Lumpur. One of Mr Yahaya's companies also runs the country's privatised vehicle inspection agency. Outside the vehicle sector, his companies are involved in property, infrastructure projects and financial services.

The automotive industry is one of the fastest growing segments of the economy. New car sales rose by more than 50 per cent in the first six months of this year.

The official rationale for the change of ownership at Hicom is to improve performance and efficiency. Analysts have considered the group unfocused and too conservatively run. In the year to March 1995, its pre-tax profit was M$314m, a 21 per cent increase on the previous figure. Impressive as that result was, the government feels more could be done.

"We find that whenever a company is owned or partially owned by the people managing the company, the performance is better," prime minister Dr Mahathir Mohamad, says. Dr Mahathir founded Hicom in the early 1980s to push the Malaysian economy into heavy industries and away from reliance on commodities, such as rubber and palm oil.

Over the years, millions of dollars of public funds have been pumped into Hicom, Proton and other heavy industrial enterprises.

While many of Hicom's companies now make profits – Proton's pre-tax profit for the year to March 1995 was up 9 per cent at M$308m – early debts have been largely written off by the government.

The government, dominated by the majority Moslem Malays, has made no secret of its wish to build up a core group of Malay entrepreneurs, such as Mr Yahaya, capable of challenging the economic power of the minority Chinese.

Details on the financing of the Hicom takeover are vague, but analysts say the deal follows a familiar pattern.

Last year, the government sold the majority of its stake in Malaysia Airlines, the national carrier, to Mr Tajudin Ramli, another Malay entrepreneur. That deal, worth M$1.8bn, was also highly leveraged. Again, *the stake sold was 32 per cent.*

Kieran Cooke

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Japanese drivers' tastes are changing, report Michiyo Nakamoto and Haig Simonian

Toyota stalls after being caught off guard

When Toyota, the Japanese vehicle maker, chose Hideo Nomo to star in a domestic advertising campaign it clearly hoped the excitement generated by the Japanese baseball pitcher, who plays in the US, would revive the company's lacklustre performance in the home market.

Toyota enlisted Japan's most popular sports hero in September after Ichiro Suzuki, who competes with Nomo for baseball stardom, did wonders for the domestic sales of rival Nissan in a highly-successful advertising campaign.

But Nomo's "tornado" pitch may have come too late for Toyota.

The carmaker, which reports first-half results today, has suffered an unprecedented slide in its share of the vital home market and has cut its domestic production forecast for the full year to March.

In contrast to its traditional image of a steady market leader, Toyota this year appears to be struggling to hold its own.

The company's share of the domestic passenger car market has slipped below 40 per cent, to an average of 39.2 per cent in the first half. If the trend persists throughout the year, it will be the first time in 13 years that the company share has fallen below the 40 per cent mark for the year.

The decline has been significant enough for at least one industry analyst to suggest that if Toyota's share were to drop another point, its credit rating could be cut.

Toyota's car sales have declined, but the overall market has been firm as people replaced cars they had bought during the years of the "bubble" economy. After dropping nearly 12 per cent in April, domestic registrations of Toyota cars have fallen each month in the first half, with the exception of a meagre 0.3 per cent rise in June.

As a result, analysts expect Toyota to report a 9 per cent decline in first-half sales to Y3,700bn ($36bn) and a 56 per cent decline in recurring profits to about Y65bn. The need to lift marketing expenses to help increase domestic sales will have contributed to the lower profits, says Mr Matthew Ruddick, industry analyst at James Capel in Tokyo.

Much of the blame for Toyota's woes belongs to the failure of the newly re-modelled Corolla, traditionally its best-selling vehicle.

Since it was re-modelled in May, Corolla sales have sunk to below levels seen even last year when the car was at the end of its model cycle. "It is hard to believe that after the Corolla was re-modelled for the first time since the bubble years, it would sell less than in the previous year," notes Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.

The low price of the new Corolla – at just under Y1m for the basic model – caused a stir at its launch. The car's critics said that in its hot pursuit of cost savings, Toyota had produced a car that lacked character.

The company, they claimed, failed to understand that price was not the only, or even the main, consideration for buyers.

The lack of interest in the Corolla also stems from a change among Japanese consumers, notes Mr Nakanishi.

Lower-end saloons, such as the Corolla, had a wide following among price-sensitive, middle-aged buyers who tended not to be very choosy about what car they drove. These buyers are now moving away from conventional cars to recreational vehicles, multi-purpose vehicles and estate cars.

"Saloon drivers are trading in their cars for recreational vehicles, but the opposite is not happening," laments Toyota.

Toyota was slow to latch on to the market trend. "It has to be acknowledged that we were caught off guard," Mr Hiroshi Okuda, Toyota's president, said in a recent Japanese magazine interview.

"We should have speeded up model changes of our RVs," he noted.

Toyota has a popular recreational vehicle, the RAV4. Its sales have been beyond expectations since it was launched in May last year.

But, Mr Okuda admits, Toyota has had to watch other companies, such as Honda and Nissan, continue to introduce unconventional models with great success and so take market share away from Toyota.

It was not until the launch of a remodelled Carib, an estate car, and the Granvia, a multi-purpose vehicle, that Toyota began to make up for lost ground in the fastest growing sector of the market.

Meanwhile, Japanese car makers are facing a stronger challenge from foreign companies in the domestic volume car market.

The fall in domestic market share has been particularly hard for Toyota as it has been aggressively shifting production overseas. It wants to raise overseas production from 48 per cent last year to 65 per cent in 1998 to minimise the impact of currency fluctuations and trade friction.

As it shifts production overseas, Toyota needs to increase sales at home to maintain domestic production levels and keep its workers employed.

If it is to avoid job cuts, it needs to produce just over 3m vehicles domestically, Mr Okuda says. However, after a 13 per cent drop in first-half production to 1.5m units, Toyota has revised downwards its domestic production plan for the year by 200,000 units, or 8 per cent, to 3.22m units.

Mr Okuda says marketing will be beefed up to claw back a market share of more than 40 per cent. The success in the past two months of a re-modelled luxury car and a new mini-van promise a better second half.

Next year, Toyota will be able to make up for the lack of new products with the launch of several remodelled cars, analysts say.

The fate of those vehicles, many of which are mainline products, will be the real test of whether Toyota has put the worst behind it.

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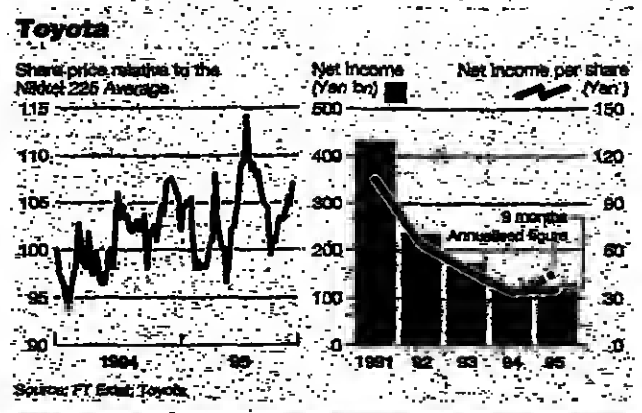


Re-modelled Corolla takes much of the blame for Toyota's woes

Cars driven by dedicated followers of fashion

Japan's car buyers can be forgiven for being confused. Nowhere has the motor industry taken niche marketing so far as to propose a van for bird-watchers or an off-roader for forest dwellers.

Such specialised cars are emblematic of the current craze for "recreational vehicles" (RVs). That means anything from a powerful four-wheel-drive mud-beater, such as Toyota's Land Cruiser, to a mini-sized people carrier with a small engine.

At this month's Tokyo Motor Show, Japan's leading manufacturers displayed a wealth of variation on the RV theme. Suzuki's UT-1 concept car came with a built-in trailer for carrying the odd motor-cycle or jet ski; Mazda's SU-V combined pretentiously agrarian looks with city-centred performance; while Nissan astonished the public with its spartan XIX.

Unlike Europe or the US, where the market for what can be broadly called RVs is split into clear categories, such as sports-utilities or people carriers, the divisions are blurring in Japan.

Manufacturers still offer distinct products, such as beefy four-wheel drive sports utilities like Mitsubishi's Pajero or the Isuzu Bighorn. Similarly, there are a multitude of readily identifiable people carriers, such as Honda's Odyssey or Mazda's Bongo Friendee. But the lines between them are increasingly dissolving aa Japan's motor industry struggles to spot the latest fad.

Japan's once brand-loyal motorists are becoming increasingly unpredictable, complicating matters for an industry reeling from stagnant domestic demand and the impact of a high yen on exports.

RV's are the only bright spot in an otherwise gloomy market. Total car sales this year look set to rise only modestly compared with 1994, in spite of a strong start. The outlook for 1996 is little better, contributing to most manufacturers' pessimism.

But while sales of traditional saloons have dropped, demand for RVs has grown sharply. Multi-purpose recreational vehicles account for more than 25 per cent of the market, compared with less than 10 per cent five years ago.

The rise in demand for the unconventional has triggered the latest generation of RVs. But the fickleness of consumers means most manufacturers are hedging their bets.

Successfully gauging the popular pulse can be rewarding. Honda's seven-seater Odyssey was launched just as Japanese drivers were becoming interested in upmarket people carriers.

So strong was demand that the company had to increase production to meet the backlog of orders. The success of the Odyssey will be one of the main factors propping up Honda's earnings this year compared with its more wobbly competitors.

The company also seems to have a winner with the CR-V, its latest RV and the second in a planned family of four "creative movers" inaugurated by the Odyssey.

Demand for the CR-V, which is about tha size of a Land Rover Discovery, is running about six times the original sales forecast of 3,000 units a month. By the end of last month – barely two weeks after its October 12 launch – Honda had 18,500 customers waiting to drive away the new vehicle.

But such success is posing a dilemma for Honda and other manufacturers struggling to interpret the vagaries of the Japanese motorist.

Honda executives this week decided to lift production by adding a second shift to the CR-V line at its Suzuka plant – the first resumption of two-shift production on that line since late 1993 – and working some Saturdays. The eagerly awaited move, which will almost treble CR-V output by January, demonstrates the company's confidence in the durability of the RV.

Other manufacturers have had to make the same judgment this year as to whether RVs are just a fashion. The Bongo Friendee has proved unexpectedly popular since its launch, while Toyota has had to cope with buoyant demand for its RAV-4 recreational vehicle, available with either three or five doors.

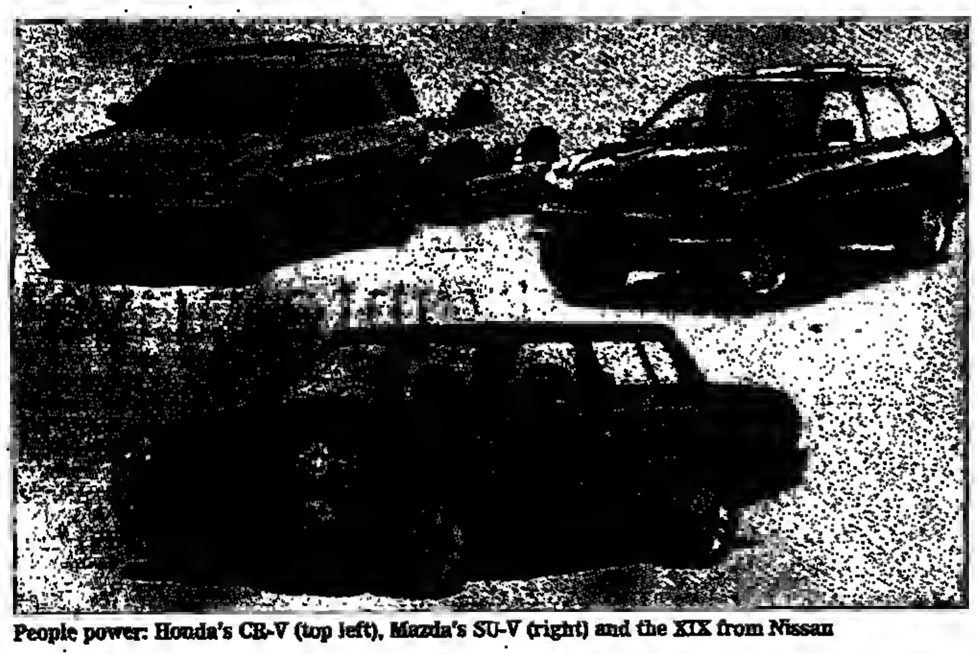
But some industry executives are wondering whether they may risk killing the goose that laid the golden egg by flooding the market with new, increasingly specialised RVs and confusing the customer.

More are on the way: Honda's two remaining "creative movers" are still only concept cars, but seem almost certain to go into production.

Many observers think further expansion of choice is inevitable – even if many of the suggested new models, such as an RV just for skiers, risk vanishing into a sales crevasse.

The vast range of RVs availabla reflects the insensitivity of the industry's antennae as to what Japanese motorists want next. With little idea about where consumer tastes are going – beyond the fact that they are defying convention – manufacturers seem to think the only answer is to bombard the motorist with more of the same.

HS



People power: Honda's CR-V (top left), Mazda's SU-V (right) and the XIX from Nissan

COMPANY NEWS: UK

Water group displays strength before meeting unwelcome suitor

Northumbrian shows 33% advance

By Peggy Hollinger and Christopher Price

Northumbrian Water is to meet its unwelcome suitor Lyonnaise des Eaux on Tuesday to discuss the French company's plans to bid for the Tyneside-based utility.

The oews comes as the water group yesterday set out its stall for a possible defence against Lyonnaise.

It unveiled bullish interim results showing a substantially better than expected 33 per cent rise in profits and the highest dividend increase so far in the water industry's interim reporting season.

The group also signalled that it had a "pot of material proportions" to be shared between customers and shareholders should the Lyonnaise bid go hostile or, indeed, disappear.

Mr David Cranston, chief executive, said the company had returned a "very solid, sparkling performance". The pre-tax return rose from £46.1m to £61.4m for the six months to September 30, on sales 6 per ceot higher at £168.2m (£155.7m).

The dividend is increased by 17 per cent to 11p (9.4p), on earnings 16 per cent higher at 70.3p (59.1p).

The profits rise was fuelled by an 11 per cent reduction in operating costs.

Mr Cranston said such efficiency improvements meant that Northumbrian was already capable of making cuts in customers' bills similar or greater to those which the government was demanding of Lyonnaise in the event of a takeover, while still returning value to shareholders.

The government this week approved a bid by the French group providing that it agreed to 15 per cent reductions in customer bills by 2001-02.

Mr Cranston said Northumbrian's operating costs were already almost 27 per cent lower than the targets set by the industry regulator. This had been achieved through a series of small performance improvements, rather than wholesale job cuts.

Northumbrian has agreed to meet Lyonnaise next week on the understanding the company would clarify its intentions. Mr Cranston said once that was resolved, the group planned to unveil a package of customer and shareholder benefits.

Mr Mike Taylor, finance director, said a share buy-back was unlikely, given the company's intention to reduce its unusually high dividend cover of 4.3 times.

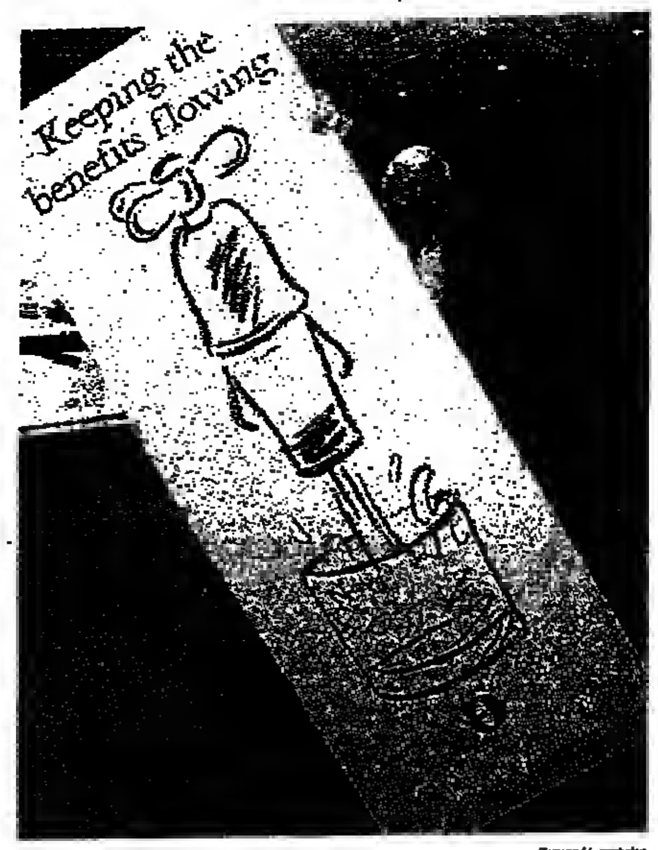
Boying back shares would merely increase the cover, although it would enhance earnings.

The group was looking at a package which might include preference shares and/or special dividends.

Northumbrian reiterated its stance that it might be prepared to reduce cover to below 2.5 times.

● COMMENT

Northumbrian is certainly not shy of selling its wares. The results leave little doubt that the water company has considerable firepower to use against Lyonnaise should the bid go hostile. A special payment of £350m - or £5 a share - would leave the company with more than healthy dividend cover of three times, gearing of less than 80 per cent and comfortable interest cover of 3½ times. Furthermore, it would still be capable of promising double digit dividend growth for the next five years without reducing cover below two times. Yet Northumbrian will have to tread a fine line with the regulator. The scorched earth defence pioneered by Northern Electric in its battle against Trafalgar House triggered a second price review in the electricity sector. The company is keenly aware that neither the industry nor its own investors want to see a repeat of that in the water sector. Therefore, it is likely to take a relatively cautious approach to returning value to shareholders, and will balance this with a customer benefits programme. All this might imply that Northumbrian, as much as Lyonnaise, will be keen to seek an agreed bid. A price of £11-£11.50p would seem to offer fair value to shareholders, while still leaving Lyonnaise with a substantially enhancing acquisition. Forecasts are for pre-tax profits of about £118m. A dividend of about 33p puts the shares on a yield of less than 4 per cent. Given the marginal upside, Northumbrian looks like a solid hold. Investors should be alert, however, to the possibility that Lyonnaise might walk away. In that case the bid premium will almost certainly evaporate.



Trevor Humphries

David Cranston: plans customer and shareholder benefits

Mike Mansfield rooolls to market

By Peggy Hollinger

Mr Mike Mansfield, the flamboyant, silver-haired host of 1970s pop programme Supersonic, is bringing his production company to the market through a reverse takeover of CSC, a small investment trust.

One of the oldest names in music television, Mr Mansfield is best remembered by 30-somethings for his catchphrase, "and rooolll, Supersonic" in ITV's answer to Top of the Pops.

His company, Mike Mansfield Television currently produces a range of cult and pop programmes including The James Whale Show, a late night alternative talk-show, and a recent Take That concert.

In the last three years, the company has benefited from the requirement for both the BBC and ITV networks to commission 25 per cent of all programmes from external producers.

Profits have risen from £46,000 to £68,000 on sales up from £1.44m to £2.5m. Profits last year were struck after deducting a service charge payable to the parent company, Mike Mansfield Holdings, of £757,000.

As part of the deal, Mr Mansfield's company would no longer receive the service charge. Instead, payment of £100,000 will be made to MMH for Mr Mansfield's services.

MMTV is being acquired by CSC for an initial consideration of £1.88m, to be paid to MMH through the issue of 1.88m shares, of which 1.32m have been placed. The placed shares may be clawed back by CSC's existing shareholders through an open offer at £1 each.

Mr Mansfield, who will hold a 16 per cent stake after the placing, will be eligible for two further payments in cash and shares totalling up to £15m based on the performance of the production company during the next five years.

CSC is one of the smallest listed investment trusts. It is, in effect, a shell company, which last year made just £56,000 for its investors after paying overhead costs and has assets of less than £1m. Its shares were suspended at 80p.

Trust to invest in emerging market debt

By Motoko Rich

Sovereign Debt Trust, a new fund investing in emerging market debt, is to generate divideod yields of 11.5 per cent a year, and will make gross payments witbout withholding tax.

The fund, which is to be the first geared, closed-end investment company listed on the Stock Exchange, is incorporated in Ireland where there is no withholding tax on dividend payments.

It is being launched in a placing and open offer and hopes to raise more than £50m. The shares will be priced at $1 each, with a minimum subscription of $10,000 (£6,000).

Mr Michael Mabbutt, fixed-interest investment manager at Barings Asset Management, which will manage the fund, being sponsored by Greig Middleton, said it would generate an annual gross redemption yield of about 14 per cent.

Bank borrowing would be less than 20 per cent of total assets, Mr Mabbutt said the fund would borrow from ING, the Dutch bank which owns Barings.

Micro Focus losses contained

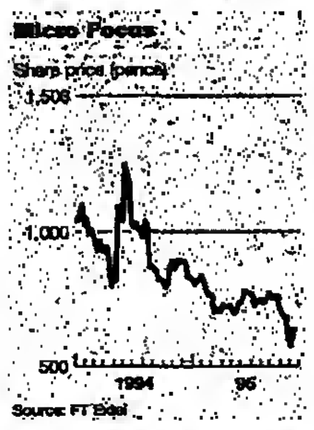
By Motoko Rich

Shares in Micro Focus, which has been undergoing an aggressive cost cutting programme, leapt 88p to 648p yesterday following an analysts' presentation in which the Berkshire-based computing software and services company showed that losses were being contained.

Losses totalled $500,000 (£300,000) in the three months to October 31, against $400,000 losses in the same period last time. Turnover fell from $30.4m to $27.8m.

Cumulative nine-month sales were $86.7m compared with $95.2m in 1994.

The jump in the share price yesterday followed 18 months of a downward trend. Over that period the group has been attempting to shift the emphasis of its operations away from applications for the mature mainframe market and to develop in more high-growth areas.



Benfield chief to chair £60m Lloyd's investment trust

By Ralph Atkins, Insurance Correspondent

Mr Matthew Harding, the millionaire backer of Chelsea Football Club, is to chair a £60m investment trust backed by his Benfield reinsurance group and specialising in Lloyd's of London corporate members and other insurance ventures.

More than half of the trust was yesterday invested in shares of listed Lloyd's corporate vehicles - the new generation of limited liability members which are providing an increasing proportion of the insurance market's capital.

Some of the investing institutions are understood to have switched funds from existing holdings in Lloyd's vehicles.

The Benfield & Rea Investment Trust, managed by Rea Brothers, the banking and investment management group, will also look for non-Lloyd's opportunities in the insurance sector, including broking and technology companies. Overall, it expects to invest about 75 per cent of its funds in Lloyd's vehicles.

Benfield, one of the most profitable private companies in the UK, will own 5 per cent of the 60m shares placed by UBS at £1 each.

Advising the trust is Benfield & Rea Brothers, a recently formed joint venture between the reinsurance company and Rea.

The trust's backers believe Benfield's insurance experience will allow it to spot the best opportunities among the Lloyd's corporate vehicles, some of which are trading at below net asset values.

The complexity of Lloyd's makes the market difficult for non-specialist investors to understand. Moreover, most of tha 15 listed vehicles, which have a total market value of about £830m, are spread across a range of Lloyd's syndicates with their capital committed to the insurance market for a number of years.

In addition, underwriting profits, under Lloyd's system of accounting three years in arrears, will not be reported until 1997.

By trading in the shares of these companies, the trust hopes to adopt a more flexible investment strategy.

Cedardata well ahead at £1.99m

By Christopher Price

Cedardata, which supplies financial accounting software, yesterday reported a 49 per cent rise in half-year pre-tax profits from £1.34m to £1.99m.

Turnover for the six months to September 30 rose 43 per cent to £5.33m.

Mr Leon Fattal, chief executive, said the first half results had benefited from several orders that had been placed earlier than expected. This would result in less second half bias than the group normally experiences.

The group, which has no debt, saw its cash balance rise 20 per cent to £4.5m, which Mr Fattal said would be used for acquisitions and joint ventures.

Earnings per share rose 50 per cent to 4.2p. The interim dividend was increased 25 per cent to 1.31p. Analysts are forecasting full-year pre-tax profits up 20 per cent to £4.3m.

Datrontech quashes talk of US link-up

Datrontech, the computer memory distributor, said there was no basis to speculation about a joint venture with an unspecified US corporation. Its shares fell 8p to 318p.

Earlier this week it announced the acquisition of C Connect, the Zurich-based distributor of memory upgrades and other computer products, for up to $4.91m (£3.1m).

The third quarter results followed pre-tax losses of $4.47m (£2.02m) in the six months to July 31, when the group provided a restructuring charge of £3.13m.

Mr Brian Reynolds, chairman, said the group, which develops personal computer software to write programs for use on mainframe machines, met difficulties in the third quarter. "We have had a job trying to accommodate different marketplace trends," said Mr Reynolds. "We have a very complicated product line that takes time to change so that has led to a bit of a slowdown in sales activity."

The group said costs, excluding the net effect of capitalised software, fell 8 per cent compared with the same period last year and were 14 per cent lower than the peak level of costs in the first quarter.

The company's main assets - employees - had fallen from a peak of 792 at the end of the first quarter to 713 now.

Celltech encouraged by result from trial of Crohn's disease drug

By Motoko Rich

Shares in Celltech, the UK's third biggest biotechnology company by market value, rose 14p to 479p as the group announced further encouraging results from trials of one of its leading drugs in development.

The group said that when patients with Crohn's disease, a severe inflammation of the bowel, were treated with CDP 571, a genetically engineered human antibody, there was "significant reduction in disease activity".

This trial followed tests of the drug on patients with ulcerative colitis, another inflammation of the bowel, earlier this year.

In the more recent trial, the group tested 31 patients with active Crohn's disease, giving 21 patients an injection of the drug and 10 patients a placebo. The group found that 9 out of the 21 patients receiving the drug went into full remission.

Dr Peter Fellner, chief executive, said the patients had been chosen for the trial because they were receiving, but not responding to, the standard therapy. If more advanced trials proceed as successfully, the group could apply for regulatory approval in the US next year. The company planned to conduct larger-scale trials this year.

CDP 571, which interferes with the body's processes that lead to inflammation, is also being tested in rheumatoid arthritis and septic shock.

The potential market for CDP 571 in all these areas is estimated at $650m (£410m) a year. Bayer, the German chemicals company, has the exclusive rights to market CDP 571. It is currently conducting phase II studies in rheumatoid arthritis using the drug in the US.

Tamaris buys home

Tamaris, the nursing homes operator, is to buy a new, purpose-built nursing home in Hartlepool, Cleveland, for £2.51m cash. The home has 76 beds - 38 for the elderly mentally infirm and the rest for general nursing care. It has the option to sell and lease back the freehold.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Appleby Westward §	28 wks to Sept 6	48.1	(45.1)	0.191♠	(0.148)	2.3	(1.7)	3.2	Jan 2	3.2	-	9
Bett Brothers	Yr to Aug 31	33.5	(30.2)	5.57	(5.93)	28.83	(32.56)	3.65	Jan 15	3.25	5.4	4.5
BT	6 mths to Sept 30	7,048	(6,851)	1,806	(1,493)	16.8	(15)	7.45	Feb 12	7.05	-	17.7
Burton	Yr to Sept 2	1,879	(1,910)	96.6♥	(41.1)	5.2	(2.1)	1.2	Feb 23	1	2.2	2
Cedardata	6 mths to Sept 30	5.33	(3.73)	2	(1.34)	4.2	(2.8)	1.31	Jan 4	1.05	-	3.25
Clyde Blowers	Yr to Aug 31 ☆	27.7	(18.1)	1.56♥	(0.52♥)	12.32	(5.98)	4	Jan 11	3	6	4.5
Elliott (B)	6 mths to Sept 30	57.8	(48.1)	2.42	(1.94)	4.88	(4.06)	1.2	Jan 16	1	-	2.5
Northumbrian Water	6 mths to Sept 30	168.2	(155.7)	61.4	(46.1)	70.3	(59.1)	11	Mar 1	9.4	-	28.2
Orb Estates	Yr to June 30	6.3	(11.3)	1.78L	(5.43)	0.14L	(0.78)	-	-	-	-	-
Porter Chadburn	6 mths to Sept 30	37.8	(44.3)	2.12	(1.62)	1.81	(1.42)	nil	-	nil	-	nil
Regalian Props	6 mths to Sept 30	3.25	(16.7)	0.444	(0.799)	0.38	(0.68)	nil	-	nil	nil	nil
Royal Insurance	9 mths to Sept 30	3,465	(3,559)	335	(311)	41.6	(42.7)	-	-	-	-	12
Staveley Inds	6 mths to Sept 30	174.2	(166.3)	8.1♠	(7.1)	5.3	(4.6)	2.3	Jan 5	2.3	-	8.5
Ugland Intl	6 mths to Sept 30	18.1	(13.8)	0.919♠	(1.28)	3.6	(4.13)	nil	-	1.65	-	3.71
Unosco	6 mths to Sept 30	9.58	(9.15)	0.618	(0.385)	3.81	(2.39)	1.25	Feb 14	1	-	2.75
Villiers	Yr to July 31	3.41	(2.72)	3♥	(1.54L♠)	2.34	(1.49L)	-	-	-	-	-
Warner Howard	6 mths to Aug 31	13	(11.1)	3.57	(3.48)	10	(8.76)	3.15	Jan 6	2.8	-	8
Willis Corroon	9 mths to Sept 30	510.3	(517)	75.3	(54.4)	11.2	(7.6)	1.65♦	Jan 2	1.55	6.6	6.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Empire	Yr to Sept 30	106.51	(105.83)	1.78	(1.37)	1.33	(1.03)	nil	-	0.71	1	0.96
Central European	9 mths to Sept 30 ‡	77.72	(-)	1.74	(-)	0.83	(-)	-	-	-	-	0.86
Edinburgh Inca	Yr to Sept 30 ★	32.05	(56.55)	0.096	(0.071)	0.119	(0.088)	nil	-	0.04	nil	0.04
Finsbury Worldwide	6 mths to Sept 30	114.2	(-)	0.088	(-)	0.8	(-)	-	-	-	-	-
First Ireland	6 mths to Sept 30	143.11	(119.59)	0.362	(0.341)	1.21	(1.14)	-	-	-	-	2.05†

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. §USM stock. ♠After exceptional charge. ♥After exceptional credit. ♦Fourth interim. ★Comparatives for 7 months to September 1994. ☆Comparatives restated. ‡Period from January 1 1995. Figures in dollars. †Includes supplementary 0.25p.

TeleWest revenue rises to £78.6m

By Christopher Price

TeleWest, Britain's biggest cable operator, yesterday reported a 54 per cent rise in television subscribers and a more than doubling of telephone users in the nine months to September 30.

The company, which has now laid more than half of its network, also saw increased penetration rates for both telephony and television.

Consolidated net losses rose 58 per cent to £68m, while revenue rose 78 per cent to £78.8m, both in line with expectations.

TeleWest, which bought rival operator SBCC in the summer, said yesterday's figures were the last to apply to the original company.

Television revenue rose 60 per cent to £40.2m as the number of subscribers rose from 147,527 to 226,639 during the year. Penetration rates rose slightly, from 20.9 per cent to 21.4 per cent. The churn rate - the level at which subscribers fail to renew - fell from 48.5 per cent to 43.6 per cent.

Tha number of residential telephone subscribers iocreased from 94,611 to 203,852, and revenue more than doubled to £32.4m. However, like Nynex, which reported results on Wednesday, TeleWest's average monthly revenue per line fell from £24.52 to £21.85 because of competitive pricing.

Business telephone revenue rose 82 per cent to £11.3m.

Following the takeover of SBCC, the combined group will have interests in 31 franchises covering 4.1m equity homes.

TeleWest, which raised £400m from floating last year, recently completed a $1.2bn fund raising programme in the US. The company said yesterday it would not require further bond or equity issues in order to complete the building of its network.

Ugland seeks £10m to expand fleet

By Charles Batchelor, Transport Correspondent

Ugland International, the ship owning and management group, plans to expand its fleet of freezer vessels - reefers - by means of a £10m equity issue later this month.

Tha company increased operating profits from £1.5m to £1.95m in the six months to September 30. Bnt after an exceptional charge of £414,000 for unexpected repairs to two vessels which were subsequently sold, pre-tax profits fell to £920,000 (£1.28m).

Turnover rose from £13.8m to £18.1m. Earnings per share fell from 4.13p to 3.6p.

Ugland obtained a UK listing two years ago after some of the privately owned shipping interests of the Norwegian Ugland family were reversed into Bristol Channel Ship Repairers. Shareholders last month approved the creation of a holding company incorporated in the Cayman Islands.

In the past year it has brought its dry dock into a small profit and expanded ship management. But ship ownership, particularly reefer activities, is to be the core activity.

The Ugland family and Totem Resources, a US tug operator with a stake in Ugland's ship management subsidiary, have underwritten a £7.5m equity issue but the company hopes to raise a total of at least £10m. It will also raise funds by selling some of its general cargo vessels.

It plans to buy four or five second-hand reefers to add to its existing fleet of seven.

Man United silent on squad value

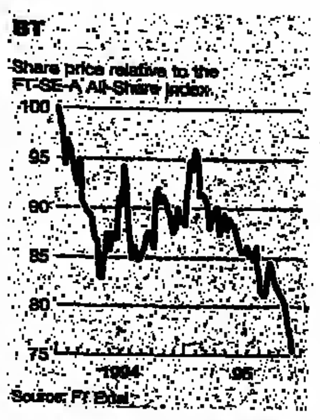
Mr Martin Edwards, chief executive of Manchester United, saw his pay package increase from £229,000 to £290,000, including a £105,000 performance-related bonus.

For the first time in recent years, however, the club refused to disclose the independent valuation of the first team squad, put at £35m last time. It said the case of Jean-Marc Bosman, an out-of-work Belgian footballer, had thrown the transfer system and player valuations into confusion.

In a preliminary opinion, the European Court of Justice said two features of European Football, the transfer fee system and the foreigners rule were a breach of European law.

Price cuts and competition constrain BT

By Paul Taylor



Price reductions, a slowing growth rate in the domestic economy and increasing competition held back interim profits at British Telecommunications. However, a 6 per cent increase in the dividend helped calm market concerns.

Pre-tax profits for the six months to September 30 rose 8 per cent from £1.49bn to £1.61bn. However, the improvement mainly reflected lower redundancy costs of £123m (£151m) and the absence of last year's £75m premium on the repurchase of bonds.

Reduced interest charges of £88m (£122m) also helped bolster earnings per share, which grew 12 per cent to 16.8p (15p). The interim dividend is raised from 7.05p to 7.45p.

Operating profit edged ahead to £1.68bn (£1.67bn) on turnover up nearly 3 per cent to £7.05bn (£6.85bn).

Staff costs were reduced by 9 per cent for 11 per cent fewer employees at 134,000.

The £5m (£18m) contribution from associated companies was after BT's share of an £331m (£525.9m) restructuring charge made by MCI, the US carrier in which BT has a 20 per cent stake.

Sir Iain Vallance, chairman, noted that "operating profits have been broadly maintained despite significant price cuts, both in the half year and in the earlier quarters, the slowing of the UK economy, and the climate of increasing competition." Areas which had shown particularly strong growth included international call volumes, business lines and mobile communications.

International telephone call turnover rose by 2.3 per cent in the half year, while volume growth on a 12-month moving average basis advanced to 8 per cent compared with 5 per cent in the year to March 31. Meanwhile, the number of business lines continued to grow, up 5.1 per cent to 6.6m in the 12 months to September.

Sir Iain added: "Mobile communications have continued to shine, with Cellnet adding some 360,000 new subscribers in the half year."

However, inland call revenues fell as volume growth failed to offset the effect of reductions in prices and a slight decline in the number of residential lines.

BT claimed it had reduced call prices by a total of £1.1bn since November 1993 under the terms of its pricing formula agreed with Oftel, the industry regulator.

● **COMMENT**

BT's domestic calls volume figures and residential subscriber numbers have, as expected, begun to show the impact of competition, particularly from the cable television companies. However, BT's domestic business and international operations, including the Concert joint venture, look solid and exciting, and new prospects are opening up in multimedia. The shares, which have fallen by more than 15 per cent against the FT-SE-A All-Share over the past year, closed 7½p higher at 371½p yesterday, mainly reflecting a positive reaction to the dividend increase. Profits should reach about £2.92bn this year, producing earnings of about 30.2p and the shares look reasonable.

Sold - good mover, nice profits, careful owner

Tim Burt analyses the sale by ADT to management for $340m of its car auctions business

The auctioneer raised his gavel and shouted over the engine noise. "Come on gents, this is less than Escort money – you can do better than this."

But Lot 37 – a less-than-glamorous Ford Sierra "with history" – attracted little attention from the bidders at ADT's north London saleroom and finally went for a knock down price.

Trade, nevertheless, was brisk at yesterday's auction of former fleet and contract cars, where more than 350 models went under the hammer. Four auctioneers rattled through the catalogue as marques ranging from Jaguar to Lada were dispatched at a rate of one a minute.

Such speedy turnover at ADT's 28 outlets in Britain and continental Europe has turned the company into one of the world's largest and most profitable vehicle retailers.

Despite contributing $37m (£23m) to ADT's $114.8m operating income last year, the Bermuda-based electronic security and motor auction group this week sold the business to its management for $340m.

Mr Michael Ashcroft, ADT group chairman, said the disposal – which follows a six-month auction – would enable the group to concentrate on its electronic security interests.

"We believe that to enhance shareholder value in the medium term, the company should concentrate a significantly greater proportion of its resources in its electronic security services business, particularly in the US," he added.

To underline that strategy, the group announced on Wednesday that it was paying $93m for Alert Centre, the US electronic security and central monitoring service.

Although ADT's European auction business was profitable, the parent company felt that the investment required to make it a truly Pan-European retailer would divert funds earmarked for expanding its security operations.

The management of the auctions business, however, believes it has got a good deal.

Mr Tom Gibson, who put the buy-out together as chairman and chief executive of ADT Auctions, said: "Our new independence will end several months of speculation as to who the eventual buyer would be.

"We can now put these uncertainties behind us and concentrate on maintaining the outstanding development and growth of our core auction business."

Since 1993, however, sales in that core business have plateaued at about 1.4m vehicles a year. And some industry observers claim such companies have been squeezed by signs of a slowdown in used car sales.

Mr Alistair Manson, director of the Society of Motor Auctions, said: "In the past three years there has been a split in the industry with small companies sticking to traditional sales, while larger players such as ADT and National Car Auctions have diversified into new areas because they've seen a reduction in vehicles coming to auction."

That has prompted ADT to set up satellite auctions for manufacturers such as BMW, in which the German group's in-house television service is used to advise dealers of models coming on to the market.

Last year it also acquired Euro-Fleet, the largest vehicle marshalling and reconditioning facility in Britain, which Mr Gibson said had made ADT a significant packager and distributor for car manufacturers and rental companies.

Euro-Fleet offers storage, paintwork and reconditioning services for companies including Avis, which uses ADT-owned car transporters to move vehicles between rental outlets.

The development of other non-core operations such as electronic auctions has enabled the company to drive profits ahead, despite signs of softening wholesale activity.

In the nine months to September 30, operating income from European vehicle auctions rose from $25.7m to $33.8m on increased turnover of $123.7m ($99.6m).

ADT Auctions plans to build on that performance by using finance provided by "leading international and UK bankers" – which it declined to name – to expand outlets in continental Europe.

In January the company bought its first outlet in Belgium, adding to others in Denmark and the Netherlands, and is said to be considering acquisitions elsewhere.

Those "exciting plans" and this week's buy-out were "excellent news for our customers and staff alike," according to Mr Gibson.

Prospects may be buoyant in continental Europe, but one official at ADT's Enfield warehouse described yesterday's seemingly frantic business as sluggish.

"Sometimes it's mad and everything goes. But today a lot of cars are coming up twice in the hope of a bite."

Top class sales: the auction hall at Blackbushe, one of ADT's 28 outlets

NEWS DIGEST

Villiers looks for purchases

Villiers, tha specialist engineer, yesterday announced it was looking for acquisitions after reporting its first full-year profits in four years.

In the year to July 31, the company showed pre-tax profits of £3m (losses £1.54m), tbanks largely to the £6.5m sale of Gall Thomson. The sale contributed to Villiers' £8m cash pile.

Mr Adrian Young, managing director, said, "We bsve a strong shareholder base, s lot of cash and two tiny engineering companies and we are looking to grow by acquisition."

Operating profits, disregarding disposal proceeds, were £667,000 (£11,000) on turnover of £3.4m (£2.72m), an increase driven by what the company called "excellent trading" at Gall Thomson prior to its disposal.

Earnings per share were 2.34p (losses 1.49p). Again there is no dividend.

LMS

London Merchant Securities, the property and investment company, said yesterday it would not sppeal against a High Court ruling in July dismissing its £170m claim against four shareholders in the former Britisb Satellite Broadcasting group.

LMS had unsuccessfully tried to sue the four largest shareholders in BSB – Pearson, the media group which owns the Financial Times, the Granada leisure group, Chargeurs, the French industrial concern, and the Reed publishing group – over the terms of its merger with Mr Rupert Murdoch's Sky group to form British Sky Broadcasting.

LMS had claimed that the merger terms were unfair to minority shareholders such as itself.

The High Court yesterday ordered LMS to pay the legal costs of the four shareholders. Afterwards, LMS announced that it had also finally decided not to appeal the original decision.

Pearson sold its 9.75 per cent direct stake in BSkyB in September, but retains a 4.27 per cent indirect stake through BSB Holdings.

Pentex Oil

Shares in Pentex Oil yesterday rose 17p to 122p, valuing the group at £24.4m, after the oil and gas production company said it was in advanced negotiations with a potential buyer.

The company, which came to the market in January, told the Stock Exchange it was "in the final stages of reaching agreement on the terms of a recommended all-paper offer for the whole of the issued share capital of the company".

Pentex, which has offshore production facilities in the North Sea and onshore wells in southern England and the east Midlands, said it hoped to announce the terms early next week.

Clyde Blowers

Clyde Blowers, the Glasgow-based engineering group, trebled full year pre-tax profits from £520,000 to £1.56m, ou turnover up 53 per cent to £27.7m.

Profits for tha year to August 31 included a net exceptional credit of £448,000 (£603,000) which comprised s property sale, the costs of restructuring the UK and the Belgian sootblower activity – including the termination of manufacturing in Belgium – and a bad dabt at Sturtevant.

Earnings per share came to 12.82p (5.98p) and the recommended final dividend is 4p for a total of 6p (4.5p).

Standard Chartered

Mr Christopher Castlement has made a net profit of £777,300, having exercised an option to buy – at 95.125p a share – 300,000 shares in Standard Chartered, the bank of which ha is an executive director. Hs subsequently sold 185,000 of those shares at 523p apiece.

Bodycote expands

Bodycote International has expanded its core metal technology division with the DM15.1m (£6.7m) cash acquisition of Mahler Dienstleistung, a subsidiary of Degussa of Germany.

Mahler is involved in metallurgical processing, continuous controlled atmosphere brazing furnaces and the production of brazing paste and equipment. The latter will be retained by Degussa.

Tesco Polish deal

Tesco, the food retailer, has extended its penetration in eastern Europe with an £8m investment in Savia, the Polish food retailer and, as a result, will own 79 per cent of the equity. Savia operates 38 stores in southern Poland, with a total selling area of 190,000 sq ft.

Tesco already owns 71 per cent of the Global chain of food stores in north-west Hungary.

COMPANY NEWS: UK

Royal improves 8% but UK underwriting shows sharp decline

By Ralph Atkins, Insurance Correspondent

Royal Insurance's shares fell 15p to 374p yesterday after Caribbean hurricane losses, rising UK subsidence claims and continuing UK price competition took the lustre off an 8 per cent jump in pre-tax profits at the nine months' stage.

Opening the latest reporting season for composite insurers, Royal reported pre-tax profits of £335m in the nine months to September 30 against £311m last time.

But underwriting results in its home market fell steeply – from £123m to £50m in the nine months to September 30. Particularly hit were domestic policies, where a dry summer meant subsidence claims reached £28m in the first nine months against £12m last time.

Royal said recent weather conditions in north-west England had also been abnormally bad. In the UK commercial motor sector Mr Richard Gamble, chief executive, said Royal "had deliberately walked away" from some business because of the scale of rate cutting.

Royal's 440 estate agencies again lost £11m, despite shedding 700 staff since the beginning of the year, although results were helped recently by an autumn "sale".

However, Mr Gamble said total pre-tax profits remained at record levels. Substantially improved North American results had, he said, more than compensated for the tougher UK conditions and losses totalling £35m from Hurricanes Erin, Felix, Luis and Marilyn.

US underwriting losses fell from £159m to £91m while Canadian underwriting losses dropped from £18m to £6m.

Mr Gamble said Royal's capital base had strengthened and the group remained focused on protecting profit margins in the UK through strict underwriting and claims control.

Analysts said many of the weather losses were "one-offs" but confirmed an impression that exceptional UK trading conditions last year and earlier in 1995 were not being maintained.

Royal benefited from higher-than-expected investment income up 5 per cent at £378m. But because Royal has used up its tax losses available for relief the charge increased by £27m to £60m and, as a result, earnings per share fell from 42.7p to 41.6p.

The group is keen to expand in emerging markets, including east Asia and India. Mr Gamble emphasised the importance of a worldwide spread of business and hinted Royal would not join the queue of large insurance companies looking to acquire weaker life insurers in the UK.

He also spurned suggestions that Royal might take part in a consolidation of UK financial services providers – widely seen as likely by analysts. "Our focus is on developing our business," he said.

Net assets per share were 379p against 288p at December 31 1994. Total general insurance premiums increased from £2.66bn to £2.67bn.

Trevor Humphries

Richard Gamble: deliberately walked away from some UK commercial motor business

Willis Corroon surges as it meets targets

By Ralph Atkins

Willis Corroon, the insurance broker, yesterday harvested results of a radical cost cutting programme launched a year ago, reporting pre-tax profits on continuing operations up 28 per cent at £71.7m in the first nine months of 1995.

The group's shares rose 5p to 132p on the back of figures which suggested targets set under the restructuring programme were being met without Willis losing business.

Operating expenses fell by 5 per cent to £473.2m. Brokerage and fees in North American and UK retail businesses – two of its main markets – increased by 2 per cent in constant currency terms.

Including discontinued operations, pre-tax profits rose 38 per cent to £75.3m in the nine months and earnings per share jumped from 7.6p to 11.2p.

Mr Roger Elliott, who steps down as executive chairman on December 1, said profits were back at 1993 levels, despite a worsening of trading conditions.

"The accumulation of benefits from our cost reduction programme continues and will produce further savings next year," he said.

Like brokers worldwide, Willis has been hit by steep falls in premium rates, demand for higher quality services and a trend towards buying policies direct from insurers.

The group took an exceptional charge of £49.1m last year to cover reorganisation and streamlining costs. Cost savings of £26m are envisaged this year and £39m a year thereafter.

Staff numbers have been cut by 939 since September last year – compared with the 800 expected – and further cuts are in the pipeline. Willis also continues to dispose of non-core businesses and announced plans to sell its 50 per cent holding in Heddington Brokers in Bermuda, expected to raise about £5.5m.

Willis's recovery was most pronounced in the US where operating profits rose from £7.3m to £20.7m. This was despite continuing difficulties with some of its professional liability business which Willis said would wipe £7m off full-year results. Operating profits increased from £46.5m to £49.3m in the UK and from £300,000 to £1.1m in the rest of the world. Gearing has fallen from 82 per cent on December 31 to 53 per cent.

Mr John Reeve, incoming executive chairman, said Willis's strategic rethink would continue into 1996 with McKinsey, the consultancy, employed to consider the "threats and opportunities" to brokers, including the impact of new market-wide electronic trading systems.

Lasmo sells stakes in two North Sea fields

By David Lascelles, Resources Editor

Lasmo, the independent oil company, has sold interests in two North Sea fields to BP for a pre-tax gain of £13m.

The sale is part of the company's policy of pulling out of mature fields to concentrate on new prospects. The interests are a 1 per cent stake in the large Forties Field, and a 15 per cent interest in the Beatrice field.

As part of the deal, both BP and Lasmo will waive various financial obligations incurred with each other as a result of earlier transactions. A balancing cash payment will also be made by BP to Lasmo.

The sum was not disclosed but is understood to be small.

The gain for Lasmo results mainly from the release of provisions which it had made for abandonment liabilities on the Beatrice field.

Mr John Hogan, Lasmo's chief operating officer, said the transaction brought clear benefits to both companies. It took Lasmo out of mature, high cost fields, while the waiver of a liability to Lasmo by BP on the Ross field would encourage development of that field.

Development costs behind 44% decline at Regalian

By Simon London, Property Correspondent

Regalian Property yesterday predicted significant profits from its development programme in spite of a 44 per cent fall at the interim stage.

Mr David Goldstone, chairman, said the pre-tax decline from £799,000 to £444,000 in the six months to September 30 was caused by development costs which were not offset by sales of finished properties.

The company, which specialises in luxury residential schemes, is developing about 750 flats and houses, mainly in central London, with a finished value of about £154m. Mr Goldstone said Regalian aimed to achieve a margin of at least 20 per cent on sales. Sales amounting to £16.5m had been agreed.

At Bishopsbridge, the large site close to Paddington station with planning permission for 1.5m sq ft of offices, Regalian is considering alternative plans for a hotel and leisure development. The site is close to the terminal of the planned Heathrow Express train service. "My gut feeling is that Bishopsbridge will be developed as a mixed site comprising some offices, but also hotel and leisure facilities," said Mr Goldstone.

During the first half Regalian acquired four residential development sites at a combined cost of £14m. Bank debt increased from £6m at the end of March to £14.9m.

An exceptional release of provisions amounting to £1.25m (£2m) partly reflected the higher value of properties held as stock. Earnings per share fell from 0.68p to 0.38p.

Porter Chadburn rises 31%

Porter Chadburn, the packaging and specialist distribution group, lifted pre-tax profits by 31 per cent in the six months to September 29 as margins strengthened.

Although turnover slipped to £37.8m, against £44.3m which included £1.72m from discontinued operations, the pre-tax result improved from £1.62m to £2.12m.

Mr Pat Barrett, chairman, said the 11 per cent rise in operating profits to £2.4m (£2.2m) would have been 15 per cent but for the effect of currency movements.

Further improvements were being sought in margins in the labelling business. However, the medium-term goal was still to balance the geographical portfolio by expanding its packaging operations, currently US-based, in the UK.

Prospects in the second half for sales by the packaging division depended on trends in US consumer spending.

In specialist distribution "any significant sales increase" remained dependent on an upturn in the domestic retail sector.

Earnings per share amounted to 1.81p against 1.42p.

Unhelpful sales timing behind 6% dip at Bett

By Graham Deller

Unhelpful timing of commercial property sales lay behind a 6 per cent decline in pre-tax profits, from £5.93m to £5.57m, at Bett Brothers in the year to August 31.

Although operating profits at the Dundee-based group's housebuilding and inns businesses both showed marginal gains, commercial property profits dropped from £3.3m to £2.73m reflecting the "long gestation period and irregular pattern of occurrence" of projects.

The outcome was also affected by "a lack of tenant demand and the relative inactivity of many institutions," which made disposals difficult and limited opportunities.

The housebuilding side, located entirely in Scotland, completed 250 (226) units at a slightly increased selling price of £91,000. The land bank was stable at about 1,300 plots.

Turnover advanced 11 per cent to £33.5m. The company intends to relieve pressure on margins through efficiencies and stronger marketing.

Earnings dipped to 28.83p (32.56p). The total dividend, however, is raised 20 per cent to 5.4p with a final of 3.65p.

Luksic takes further step forward in South America

By Kenneth Gooding, Mining Correspondent

Mr Andronico Luksic's plans to build a banking empire in South America are taking another step forward with the acquisition, by Antofagasta Holdings, of Banco Credit Lyonnais Argentina for $75m (£47.4m) cash.

Mr Luksic, the 68-year-old son of a Yugoslav immigrant to Chile, has built up one of the biggest industrial and financial groups in that country. He is buying Credit Lyonnais Argentina via Inversiones Financiera, an organisation in which Antofagasta, the London-quoted company with Chilean mining, banking and railway operations, has a 48.26 per cent stake. The Luksic family controls about 67 per cent of Antofagasta.

Inversiones is also involved in the proposed merger, announced last month, of Banco O'Higgins and Banco de Santiago to form Chile's largest private sector bank. The Luksic group also owns Banco del Libertador in Peru.

Credit Lyonnais Argentina has 25 branches and 816 employees. Total assets at June 30 were $742m and net asset value was about $95m.

Antofagasta said yesterday that the deal, which has to be approved by Argentine and French authorities, was "a further step in the Luksic Group's strategy of investing in the financial sector throughout the southern cone of Latin America, where it plans to engage, both in wholesale and retail banking."

Mr Chris Jowett, financial controller, said Antofagasta would not have to borrow or go to shareholders to find its $36.2m share of the cash for Credit Lyonnais Argentina.

The deal is in line with the rescue package agreed last month by the French parliament for Credit Lyonnais, which suffered substantial losses in the early 1990s. The state-owned bank, which is to sell assets worth FFr135bn (£17.5bn) as part of the rescue agreement, announced a week ago it was selling its Chilean subsidiary to Dresdner Bank for $48.8m.

FT-SE 100 position in danger as Lottery hits betting division

Ladbroke shares slide 14%

By David Blackwell

Ladbroke is in danger of losing its FT-SE 100 position after warning yesterday of the continuing impact of the National Lottery on its betting shops.

Shares in the hotels and betting group fell 22p to 132p – more than 14 per cent – as the City cut £20m from full-year profits forecasts. "There has been a change of sentiment," said one analyst. "There was always the hope that the shares would bounce – but any bounce now will be used as a dumping ground."

At 132p, the group has a market valuation of £1.54bn – a level that could mean it automatically drops from the FT-SE 100 at the next review on December 6.

In its third-quarter trading update, Ladbroke, owner of the country's biggest betting shop chain with about 1,900 outlets, said: "A satisfactory trading performance from hotels was offset by a substantial fall in profits from the betting and gaming division."

Profits before exceptionals would be "somewhat lower" than last year's £128.5m. Most forecasts for 1995 were cut yesterday from about £140m to between £120m and £125m.

Analysts, who had been expecting a slight increase in the dividend, now forecast it will be unchanged at 6p, only just covered by earnings.

Ladbroke warned in May that the lottery scratchcard had had "some negative effect". Yesterday, Mr Peter George, chief executive, said it had had "a far greater impact on our betting businesses than was anticipated".

Both the betting shops and Vernons Pools have been hit, and the group has responded by cutting staff. The most recent job losses came in October, when the pools printing works was closed. Pools revenue for the first nine months was down 27 per cent.

In addition to the lottery, Ladbroke has seen a 3 per cent decline in betting on horse racing when it had expected a 6 per cent rise. The hot summer kept the ground hard, reducing the competition; the move of some race meetings to Sundays and evenings further reduced the number of horses fielded for each race and added costs without extra revenues.

The group yesterday blamed three-quarters of the betting decline on the lottery. It repeated its plea for cuts in duty on pools and betting.

At the interim stage a strong performance from Hilton hotels more than offset the betting shortfall, and pre-tax profits increased 23 per cent to £56.5m. Yesterday, it said second-half profits were ahead, but "the underlying rate of growth was slower than in the first six months".

Reynolds left GEC over succession

By Bernard Gray, Defence Correspondent

The departure of Mr Richard Reynolds from the board of the General Electric Company and his post as chairman of GPT, the telecoms subsidiary, had been brewing for at least a month before his resignation was announced on Wednesday evening.

It is understood that the relationship between Mr Reynolds and other members of the board had broken down irretrievably because of his criticism of the way the succession to Lord Weinstock, GEC's managing director, was being handled.

Mr Reynolds had previously put himself forward as potential candidate to succeed Lord Prior as chairman, when he eventually decides to stand down but was not thought to be in serious contention.

He almost left the company when his criticisms became public in October. However, he decided to stay on to air his views at a regular quarterly board meeting on October 17.

GEC refused to comment on the reasons for Mr Reynolds departure, or the terms under which he has left.

Mr Reynolds felt that the succession to Lord Weinstock as the senior executive at GEC should be a matter for the whole board to handle, rather than a sub-group under Lord Prior.

Mr Reynolds was also concerned at the length of time it was taking to choose a successor, since it was announced that the process was in train 15 months ago. His views were said to reflect those of a number of institutions concerned about progress on the succession, but none has been prepared to back him in public.

Burton doubles as it leaves discounting

By Neil Buckley

Burton, the clothing retail group, yesterday claimed success in its three-year quest to break away from constant discounting in its stores and return to "prime" trading, as it announced more than doubled pre-tax profits for the year to September 2.

Profits for the group – which includes chains such as Debenhams, Dorothy Perkins, Top Shop and Principles – outstripped market forecasts, jumping from £40.9m to £93.1m, before a £5.5m exceptional gain this time from the release of unused provisions.

The shares rose 5p to 110p as analysts upgraded current-year profits forecasts from £110m to £120m-£130m. Although group sales have been running 4.4 per cent ahead since the period-end, Burton tried to rein back expectations by warning that the retail market remained "very, very fragile".

"We recognise full well that our sales figures and margins are good, but we are still very cautious about sales going forward," said Mr John Hoerner, chief executive.

When Mr Hoerner took over in February 1992, Burton was lossmaking and deep in debt.

By retargeting the chains, revamping their appearance and merchandise, and swapping stores between chains, Mr Hoerner has attempted to break what he called a "vicious cycle" of discounting.

Yesterday's figures showed he had moved a long way towards that, with the group trading "prime", or at full price, for 68 per cent of the year, compared with 33 per cent of the previous year. That improved the gross margin, up 3.7 percentage points, though it held back overall sales growth from continuing operations to 1 per cent.

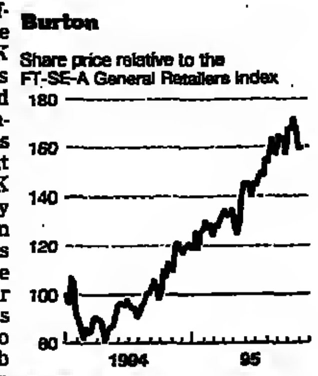
Taking into account discontinued operations, and a 53-week accounting year last year, group turnover fell 1.6 per cent to £1.88bn. The retail operating profit doubled, from £51.2m to £102.1m.

The one disappointment was Dorothy Perkins, where profits fell from £11.4m to £4.1m.

Burton also announced it was buying back the lease on its flagship retail site at Oxford Circus for £94.5m.

LEX COMMENT

Burton in recovery



Burton's doubled pre-tax profits show it is still one of the hottest recovery stocks in UK retailing. Of course, it is always easier to buck the trend from a low base. But the clothing group's performance is impressive, given the current treacherous climate for UK retailing. There is still plenty to go for. The group's return on sales of 5½ per cent remains poor by the standards of the industry. Burton Menswear and Principles, its women's clothing chain, continue to make losses, though much reduced. Top Shop and Top Man, having finally got their younger fashion ranges right, have moved into the black: but with only £8.5m of profits on £220m of sales there is further room for improvement. Debenhams department stores may appear more static, but should gain impetus from its aggressive programme of store openings.

Burton's crucial success this year has been in the area of pricing. The group's doubling of profits was achieved on a meagre 1 per cent rise in sales. Only a third of sales was discounted, compared with two-thirds last year. This leap suggests that its flagging brands have been repositioned successfully. A 4.4 per cent rise in sales in the nine weeks since year-end bodes well for Christmas trading, even if, as the company expects, the latest margin increase is not sustained. Barring a worsening of market conditions, the group should have little difficulty in producing rapid enough earnings growth to justify its premium rating within the sector.

Torquil Norman: devoting more time to charitable interests

Mickey Mouse helps charity sale

By David Blackwell

Underprivileged children in the UK are £3.7m better off today, partly thanks to Mickey Mouse.

News last month that Mickey, along with other Disney cartoon characters, was joining Bluebird Toys boosted its shares by 36 per cent. Yesterday a trust for child-related charities, run by Mr Torquil Norman, Bluebird's chairman and founder, sold 1m shares in the group at 370p.

Mr Norman, who stood down as chief executive last year, wants to devote more time to his charitable interests. He is planning an activity centre for underprivileged children – probably in Scotland.

Mr Norman, who founded Bluebird in 1980, last year sold 1.08m ordinary shares at 207p each, while his wife sold 120,000 shares, netting the couple almost £2.5m. Earlier this year he sold a further 650,000 shares, and now holds just over 382,000.

The trust has retained more than 360,000 shares.

Last month Bluebird announced a three-way agreement with Disney and Mattel. The group will develop and market a range of collectable playsets based on Disney characters from Mickey Mouse and Donald Duck, to the Lion King and Pocahontas. Mattel will distribute the toys outside the UK and the Irish Republic.

The first toys will go on sale in March, joining the Polly Pocket and Mighty Max ranges which have rebuilt the group's fortunes after losses of £3.5m in 1991.

Polly Pocket is thought to have contributed two thirds of £7.6m interim profits but Mighty Max has been hit by competition from Mighty Morphin Power Rangers and Batman.

Staveley advances and orders buoyant

By Peter Pearse

Strong improvements in both its measurement and mechanical and electrical services divisions helped Staveley Industries lift pre-tax profits 14 per cent in the first half.

Pre-tax profits for the 26 weeks to September 30 grew to £8.1m (£7.1m). However, stripping out the £400,000 exceptional loss from a sale, the rise was 20 per cent. Interest charges increased to £1.8m (£1.1m), mainly as a result of acquisitions and reorganisation costs.

Much of the group's stability is thanks to British Salt, which lifted profits to £6.4m (£6.2m) on turnover of £17.7m (£17.3m). The minerals division commands just over half of the UK salt market and the business is looking to grow its value-added side, such as compacted salt for water-softening.

On current trading, Mr Roy Hitchens, chief executive, said the order intake was up 11 per cent excluding acquisitions and 20 per cent with them.

Operating profits advanced to £10.3m (£8.2m) on turnover of £174.2m (£166.3m), helped by MMP and Nelson, acquired for an aggregate £6.6m.

But it was margin improvement in the measurement division and a turnround in M&E services which powered the profits. Measurement's profits were £2.4m (£1.9m).

Mr Hitchens said the reorganisation at the North American Weigh-Tronix was bearing fruit though in the period its effects were nullified by problems – now reduced – at the postal business in Santa Rosa.

Reorganisation at Chronos Richardson was nearly complete.

At M&E with profits of £1.2m (losses £200,000) the emphasis was switched from contracting to maintanance, which achieved organic growth of 20 per cent.

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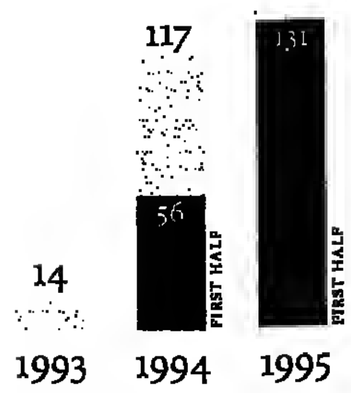

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PRIVATE FINANCE INITIATIVE

Critical year ahead for UK government scheme

Controversy and delay have blighted the PFI's young life. Andrew Adonis looks at the issues that will decide its future

The Private Finance Initiative (PFI), the UK government's flagship policy for extending private sector involvement in the financing and management of public sector investment, is about to celebrate its third birthday.

Conceived during Mr Norman Lamont's troubled chancellorship, the PFI was widely expected to be still-born. Although now a fast-growing toddler, it has yet to walk with any great confidence, and it exhibits a remarkable capacity to generate bitter controversy.

There have been few balanced judgments. The PFI is either the elixir of privatisation set to engineer sweeping improvements in Britain's rundown public sector, or it is a fraud, likely to undermine vital public investment and/or seriously damage the nation's public finances.

Mr Kenneth Clarke, the chancellor, and the Treasury are the chief enthusiasts. The PFI, says Mr Clarke, is "a radical and far-reaching change in capital investment in public services", set to "break down further the barriers between the public and private sectors".

The chancellor argues it will promote efficiency, improve services and stimulate fresh flows of investment", particularly in areas such as health, education, transport, and government property, where full-scale privatisation is either inappropriate or impossible.

By contrast the normally staid publication, the *Economist* has dubbed the PFI "a dog's breakfast" and "a deceit that is becoming larger". It has condemned the initiative as "creative accounting" that may cost the public dear and obscure the proper roles of the public and private sectors. This verdict produced a furious response from Sir Alastair Morton, chairman of Eurotunnel and, until September, head of the Treasury's Private Finance Panel, a ginger group charged with proselytising for the PFI across Whitehall. "Engage mind before opening mouth, particularly when tempted to abuse," he lectured the *Economist's* editor.

A dispassionate observer would be forgiven for finding this shouting match bewildering, for, in conception, the PFI is hardly a revolutionary departure in public sector procurement. Essentially, it is an incremental policy to further the long-established public sector practice of contracting with private companies for the supply of goods and services. PFI extends such "outsourcing" to the financing, design and management of the infrastructure necessary to deliver public services.

Consider the NHS. The building of hospitals has always been done by the private sector under contract. So has the provision of most clinical equipment. In recent decades health authorities have gone a stage further and contracted with the private sector for the supply of "hotel" services – notably cleaning, catering, and maintenance.

The PFI extends these practices in two main respects. First, it packages together the supply of some or all of the services into single contracts. In the case of hospitals, these are restricted to the maintenance of the plant and the provision of ancillary services. There is no question of private contractors taking on the health service's responsibility for treating patients.


Kenneth Clarke: argues the PFI promotes efficiency

Secondly, the PFI engages the private sector in the design and financing of the hospital itself, and some of the associated risks. Reimbursement takes the form not of a single capital receipt, but of regular lease-type payments by the "purchasing" health authority for the provision of specified facilities over a specified period.

Critics of the PFI – and they are everywhere – fall into two broad groups. These can be dubbed the "it's too lax" and the "it's too tough" camps.

The "lax" camp, featuring public spending purists (although not the Treasury itself), claims the PFI offends against proper ideas of state financial management. It argues that the public sector's capital spending ought in principle to be funded internally, because the cost of capital is always cheaper thereby. And it is sceptical about the propriety of converting a traditional capital investment into "operating" and "leasing" payments spread over many years. Dark motives, notably a desire to evade existing public spending controls, are imputed.

The "it's too tough" camp takes an almost diametrically opposite stance. Including some of the leading private sector organisations – construction and leasing companies, solicitors, bankers, and corporate advisers – seeking to secure PFI work, it claims that the PFI is impossibly ambitious.

It is concerned, in particular, about the requirement that significant new risks should be assumed by the private sector as part of PFI contracts. Mr Chris Boobyer, director of large value leasing at Barclays Mercantile, says: "This form of transaction will cost the public sector more because the financier or contractor will have to build safety margins into these deals to alleviate the risk."

Ironically, the Treasury, which now champions the PFI, shared all three concerns until recently. Its so-called "Ryrie rules" acted as a *de facto* obstacle to large PFI-type projects throughout the 1980s. This was due not so much to the rules themselves – which were designed to safeguard value-for-money and ensure that private money invested in public sector projects registered as "public spending" – as to the way they were invoked by Treasury officials to discourage private finance schemes.

Treasury officials, sceptical by training, deny thet they have undergone a Damascene conversion. Rather, they insist, the Treasury is now adjusting itself to the spirit of the Ryrie rules, which were never intended to preclude private finance where it genuinely offered the pnblic sector better value than traditional procurement.

They hotly deny that the PFI is stoking up a profligate investment binge, claiming that there is nothing secret about the future annual cost implications of individual PFI contracts. They also reject ideological objections to non-state funding for capital spending, noting that existing outsourcing inevitably includes a leasing fee for assets employed, ranging from the incidental (the window cleaner's ladder) to the integral (the rubbish collector's vehicles).

The Treasury thus now believes it is a question of the value for money offered by PFI deals in particular cases. But it is insistent that such value will generally require the transfer of some new risk to the private sector.

That might be taken to imply that the future holds a mix of PFI and traditional procurement deals for public sector infrastructure. At this point, however, traditional Treasury caution shows signs of wearing thin: far from encouraging such a "mixed economy", Mr Clarke and his chief officials are acting as all-out campaigners for the PFI.

This is not simply a case of Treasury officials following ministerial orders. The Treasury faces a serious problem. Without strong official encouragement, there would be few if any large PFI deals. Fear of the unknown would kill them in Whitehall spending departments long before they became serious propositions. There is, furthermore, an obvious start-up problem: without some large PFI contracts to set the ball rolling, neither the civil service nor the private sector would gain tha expertise and confidence necessary to generate further PFI projects.

Accordingly, the Treasury has moved into the uneasy position of championing the PFI from the Whitehall rooftops while claiming that only deals offering better value for money than a traditional procurement will pass muster. This stance is reflected in Mr Clarke's decision to set targets for the completion of PFI deals, and in edicts circulating around Whitehall instructing officials to exhaust the PFI route before considering alternatives for large capital projects.

As one official puts it: "In reality, we have now made a presumption in favour of PFI, and are challenging departments to tell us why it is unsuitable. That is a complete reversal of the previous position."

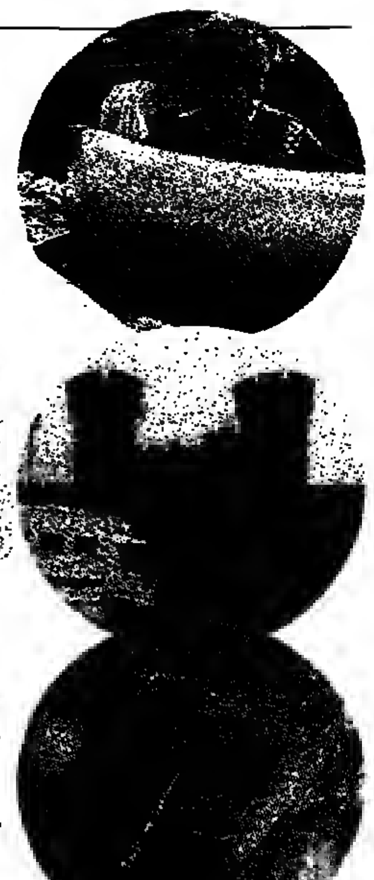
Not thet caution has been thrown to the winds. Much

continued on page 4

The chancellor's £5bn baby

Project	Capital value (£m)	Stage reached now
Northern Line Trains	400	Contract signed
NIRS2 National Insurance Computer	120-150	Deal announced
Prisons (Bridgend/ Fazakerley) plus at least one secure training centre	up to 450	Preferred bidders announced
Newcastle site redevelopment (DSS)	[illegible]80	OJEC notice published
DBFO roads	380	Bids received for first tranche and ITTs issued on second
Scottish Air Traffic Centre	200	Invitations to tender issued
Channel Tunnel rail link	2,700	Bids received
Docklands Railway Lewisham extension	100-130	ITTs issued
West Coast Main Line	500-750	Feasibility study complete
Post Office Counters Automation	100-130	Expressions of interest received
Scottish Water & Sewerage	45	OJEC notices published for three projects
Health Misc, small schemes	Maybe 100	Various stages
Total	4740-5060	

Source: HM Treasury. Latest data available as at November 1 1995



IN THIS SURVEY

II PRIVATE FINANCE INITIATIVE

Risk transfer: by Andrew Adonis

Liability's can of worms

Relieving the state of the burden of risk is a cornerstone of PFI policy. But it is at the root of contractors' resistance

The transfer of risks from the public to the private sector lies at the heart of the Private Finance Initiative. Without it, the case for putting large infrastructure projects out to the private sector for financing and management appears weak, and could be justified only by extraordinary gains in the efficiency and quality of private management and service delivery.

So important is the issue of risk transfer that in *Breaking New Ground*, the Treasury's initial prospectus for the PFI, it was elevated to the status of one of two "fundamental requirements". "The private sector must genuinely assume risk," it stated. The other requirement was that "value for money must be demonstrated for any expenditure by the public sector".

Yet no aspect of the PFI raises more private sector objections than that of risk transfer. Complaints are widespread that expectations about the degree of risk that can be transferred are wildly unrealistic. Some executives claim there is not even much point in the Treasury seeking to transfer significant risks, since the costs will simply have to be passed back in higher charges to the public sector.

Then there is the issue of whether or not many risks can be transferred at all. Surely, it is claimed, the Treasury ultimately stands behind most PFI projects – unless it is prepared, say, to see a new hospital remain half empty or a prison riot go unattended.

There is an element of fruitless circularity to some of these objections. If the transfer of risk *does* simply lead to a higher private sector charge to the government, then the PFI contract in question ought not to pass muster in the first place.

If, on the other hand, the Treasury is right that big public road schemes typically notch up an overspend of 45 per cent, that could be as much an argument for better project management within the public sector as it is for handing the projects over to the private sector in an effort to cut costs.

Then there is the problem of how to quantify risk, a subject that the Treasury readily admits is highly complex.

Consider social security benefit fraud. In the current PFI negotiations about the automation of benefit payments made through post offices, the issue of transferring part of the fraud risk is under discussion. But nobody really knows how much fraud there is. Figures ranging from £140m to £1.4bn a year have been bandied about by ministers in recent months – out of a budget of some £80bn.

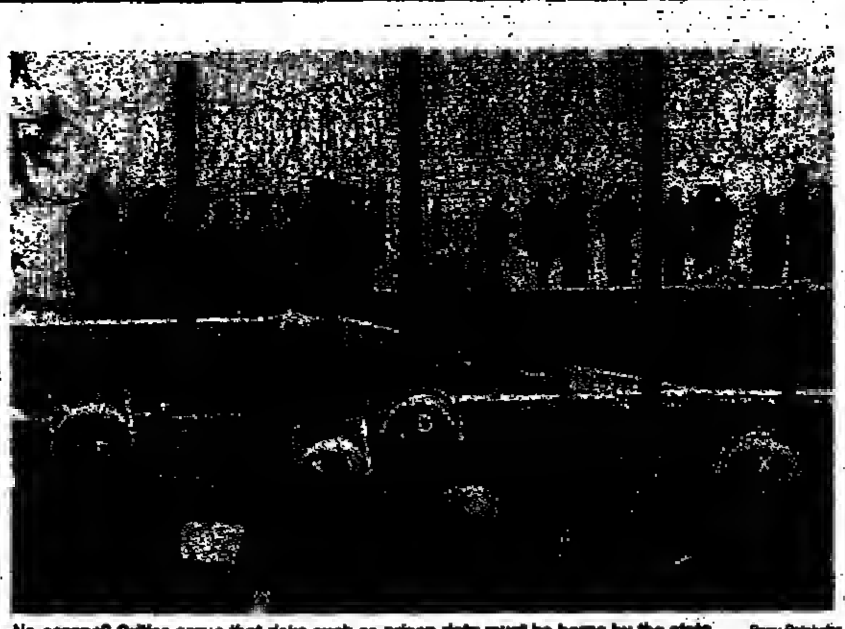
So what can the transfer of fraud risk mean, unless it is so closely defined as to be almost worthless? Is there to be a case-by-case assessment of "responsibility" for fraudulent claims on the new benefit swipe cards issued by the PFI supplier, or instead some liability assessed by aggregate national figures? The mind boggles at the administrative and financial implications of either course.

This is a not an isolated instance. In the negotiations over the first PFI prisons, the Prison Service sought to pass on an element of demand risk, by relating payments to contractors partly on the basis of the number of prisoners accommodated.

Contractors baulked at this idea. "It was unbelievably dumb," says one, who protested that a contractor could have no influence over the size and allocation of the prison population. Instead, the private sector has assumed a more modest availability risk, exposing it to penalties if it failed to make an agreed number of places free because of, say, riot damage or late construction.

For the public sector, three main issues are involved in the question of risk transfer: identifying it; pricing it; and then deciding to what extent, if any, it can be passed on to a PFI contractor.

The Treasury believes that the very act of pricing risk is a strength of the PFI. As one official puts it: "Far too little attention has been given by departments to evaluating risks before projects are agreed, which has led to a good deal of confusion about the real benefits to be gained from PFI."



No escape? Critics argue that risks such as prison riots must be borne by the state — Barry Batchelor

The risks generally relate to design, construction, availability and performance. Officials are working on models to enable fair comparisons to be made between PFI bids and the real costs faced by the public sector in meeting these risks. They say they are close to doing so in the areas of information technology and hospitals, but no one claims that it is an exact science.

Mr Ian Beith, managing director of structured finance at Charterhouse Bank, says there is a "serious misconception on both sides of the fence between *maximising* risk transfer and *optimising* it". He explains: "Much of the gain from PFI comes from developing long-term co-operative relationships with suppliers who have a vested interest in meeting your needs."

He cites information technology as a particular case in point. The seven-year PFI contract between the Department of Social Security and Andersen Consulting for the supply of the new national insurance computer recording system provides for a lump-sum payment at the end related to the obsolescence of the equipment.

"This gives them a strong interest in upgrading the system during the contract," says Mr Beith.

Mr Richard Millward, head of the PFI unit at Kleinwort Benson, highlights property as another area where the private sector is experienced in managing significant risks. However, he says the construction of PFI roads, is another matter. Given the only real risk being transferred is demand risk, and it is not always clear what purpose is being achieved by seeking to do so."

The issue of risk transfer will challenge the PFI for the foreseeable future. However, one potentially serious danger is largely absent from the calculations – that of party-political uncertainty.

Apart from a few controversial areas such as prisons, few expect a change of government to make much difference to existing or future PFI contracts. Historically, the one exception has been health, a significant PFI field.

Mrs Margaret Beckett, shadow health secretary until last month, took an aggressively "anti-privatisation" line, often interpreted as hostile to PFI-type deals. Her successor, Ms Harriet Harman, is notably more accommodating, in the image of Mr Tony Blair, the Labour leader, who lauds the concept of public and private partnerships every bit as much as the present government.

Prison service: by Andrew Adonis

Party politics clouds horizon

Although praised by the Learmont report, private prisons face an uncertain future

One of the few recent Prison Service programmes to come well out of last month's Learmont report was the creation of a private prison sector, which is being expanded through the Private Finance Initiative.

General Sir John Learmont's clean bill of health may prove vital to the future of private prisons. For the rest of his report is broadly hostile to the introduction of modern corporate management methods into the Prison Service.

Sir John visited three of the four prisons currently operated by the private sector, and gave a generally favourable verdict, commending their efficiency and the regime they provided for prisoners.

Their management structures found particular favour. "In comparison with public sector prisons, private prisons demonstrate the advantages of a tauter management chain, greater freedom for Governors to manage and a continuous audit on site," Sir John concluded.

He went so far as to say that the on-site audit arrangements, if applied to the public sector, might have averted the serious break-outs – such as those at Whitemoor and Parkhurst – that gave rise to his inquiry.

In particular, he highlighted the practice within privately operated prisons of dividing responsibility between a "director", who is appointed by the contractor to manage the prison, and a "controller", who is an experienced Governor. The latter is located on-site and responsible directly to the Prison Service – not to the private operator – for the performance of the contract and for functions such as the disciplining of prisoners.

"Through this mechanism, performance standards in private prisons are kept under review, with the result that they are maintained at a high level," the report said.

Of course, the verdict is somewhat ironical, and not only because of Sir John's stinging criticism of other attempts to import modern management practices into the Prison Service. Prison privatisation was a policy pioneered by Mr Derek Lewis, who was sacked by Mr Michael Howard, the home secretary, for management failings alleged by the Learmont report. So even without Mr Lewis, prison privatisation is unlikely to grind to a halt.

The government's policy is that 10 per cent of prisons – 13 establishments – should be operated by the private sector in the initial phase of the privatisation programme. That target is unlikely to be achieved by the next general election, but some 10 private prisons may be in operation by then. In addition to the four existing private prisons, two more have been agreed in principle and at least another two are in the pipeline.

The PFI embraces only the two most recent private contracts – for prisons at Bridgend in south Wales and Fazakerley on Merseyside – and those in preparation. These contracts comprise the design, construction, management and financing (DCMF) of prisons over a 25-year period.

By contrast, the initial four contracts are for five years and only cover the operation of facilities provided by the Prison Service.

In addition to the DCMF programme, the Prison Service has a "market testing" programme to expose some of its directly managed prisons to competition with the private sector for their management contracts. But stiff trade union resistance has led to delays and means this is not likely to prove a large source of private sector work.

More fruitful for the private sector has been the extension of contracting-out the business of escorting prisoners to and from the courts. Four of the eight "escort" contracts have been awarded to the private sector, with Group 4, the security company, the largest private contractor.

Four operators currently have private prison contracts: UKDS, Premier Prisons, Group 4 and Securicor. Each of them is either a consortium in its own right, or a security company that is engaging with other partners – including construction companies – to bid for DCMF contracts.

Under DCMF, operators are paid fees, dependent on their making a certain number of places available and satisfying performance targets – including the prevention of escapes – laid down in highly detailed contracts.

Although the precise level of savings offered by the private sector is difficult to calculate because of the degree of overcrowding in state-run prisons, it is significant on any estimation.

> Opposition from the trade unions has led to delays

Private operators claim that their savings come from more rational and flexible staff working practices.

UKDS, which manages Blakenhurst prison near Birmingham, claims that it requires only four-fifths of the staffing for a similar state prison. It says that it can attract "top quality" custody officers at salaries about 7 per cent lower than those awarded to their counterparts in the state sector.

Group 4, which manages the Wolds prison on Humberside and Buckley Hall, Greater Manchester, claims a similar saving in staff numbers, although its salaries are closer to those in the Prison Service.

The Prison Service claims that privatisation has also led to significant improvements for prisoners. The existing private prisons leave prisoners unlocked for up to 14 hours, several hours more than their state equivalents. Visiting hours are also longer, according to private operators.

However, this raises a difficult aspect of the PFI. The prison regime is an issue of political controversy, and political priorities change. Existing private prison contracts were framed in the spirit of the 1991 Woolf report, which called for a more liberal prison regime following serious prison disturbances in 1990.

However, Mr Michael Howard, home secretary since 1993, has been keen to dispel any idea that prison life should be "comfortable". He has called on governors to impose "decent but austere" regimes. "Prison works" is his motto, raising the prospect of a significant increase in the prison population from what is already an all-time high of 50,000.

Furthermore, the very existence of private prisons is an issue of party-political controversy. Mr Jack Straw, Labour's home affairs spokesman, condemns them as "morally repugnant", and is pledged to halt the application of PFI to the sector if Labour wins the next general election.

All of which leaves private operators exposed. On the one hand their very existence is in question. On the other, they have to navigate frequent lurches in penal policy that may not be reflected in their operating contracts. As one private operator puts it: "If only there was political consensus in this area, our job would be far easier."

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■ **Defence:** by Bernard Gray

Hopes rise at task group

The infrastructure of the forces offers huge potential. But obstacles to PFI deals remain

Privately financed wars are not yet on the Ministry of Defence's agenda, but the MoD is trying to push the private finance initiative into other parts of its operations. As the biggest single customer for British industry, spending about £9bn a year on equipment, the MoD sees plenty of opportunity for private capital to come up with bright new ways to meet its needs.

Most of these focus on the procurement half of the MoD, rather than the provision of services to the operational armed forces. A task group within the MoD, headed by Mr Matthew Webber, who is on loan for a year from Kleinwort Benson investment bank, has a hit list of six pilot projects to get the process moving in the next few months. Behind those are another 30 or so procurement projects – with a capital value of more than £1bn – that might use private finance if the process proves successful.

Perhaps surprisingly for those who have watched the MoD's affairs in recent years, the original, and most controversial, idea to attract private capital to the MoD – the attempt to sell and lease back the MoD's housing stock – is not one of the pilot projects. This is being handled separately, partly because of its complexity and partly because of its political sensitivity.

The MoD originally conceived the idea of selling the armed forces housing stock to a private company, and then leasing it back as a way to fill a £500m gap in the current year's finances. However, difficulties persuading the Treasury that proposed schemes really shifted risks to the private sector have delayed the sale, and timing differences in the MoD's programme mean that raising the cash is not as urgent as it was.

Mr Webber's team has, however, picked up the other early private finance idea: the possibility of lease operators running the MoD's huge vehicle fleet. Apart from its tanks and armoured personnel carriers, the MoD operates almost 100,000 other vehicles, ranging from general purpose Land Rovers to a large car fleet. The operation is worth almost £1bn in total.

Working out which elements might be more efficiently handled by private contractors is tough. Equally difficult is the debate over whether the entire existing fleet should be sold off now, or whether private contractors should only be used to replace vehicles on a rolling basis as old ones are retired.

What is clear, however, is that any use of private capital is likely to split the fleet up into different vehicle groups, and possibly even into a number of companies within those groups. That alleviates the pressure on any single company of taking on such a large fleet, and provides the MoD with competition among its suppliers.

> The case for vehicle leasing remains to be proved

Both projects highlight the difficulties of getting the private finance initiative to work. While the Treasury is now pushing such ideas, it still has to be persuaded that sufficient risk is genuinely being taken by the private sector to remove the burden from the state.

Even when that is true, the private sector still has to provide better value for money. Since it is a nostrum of Treasury finance that it can borrow capital more cheaply than anyone else, private companies depend on being able to provide a more efficient service that demands less capital to be competitive.

With the vehicle fleet, for example, private contractors' leasing rates cannot realistically hope to beat the Treasury's cost of ownership on a like-for-like basis. They will depend on a more efficient use of the vehicle fleet to cut down on the numbers required, cheaper maintenance and administration, and better management of the residual values of used vehicles to beat the MoD's costs.

If the case for vehicle leasing remains to be proved, some of the six pilot projects do seem to offer a convincing *prima facie* argument that private capital will work. One is to provide new sewage and water facilities at Tidworth, where the work needed is likely to be in the region of £10m.

The army's water system for the garrison town was built about a century ago and badly needs updating. The army has no reason to be expert in this field, and the MoD has asked private contractors for their ideas on how the system can best be repaired. Unsurprisingly, local water companies are among those that have been shortlisted for the work.

Also on the pilot list are a wide spread of MoD projects: the defence fixed telecoms network, which needs capital expenditure in excess of £50m; the naval recruitment and training agency, which requires an overhaul likely to cost at least £10m; a refurbishment of the MoD's main Whitehall building, which needs at least £100m of capital expenditure to drag it into the 20th century just as everyone else leaves it; and a £3m visitor centre for the Devonport naval base.

Once the pilot projects are under way, attention will shift to the 30 or so other possibilities, which include the provision of oil depots, a new power supply for the radar early warning centre at RAF Fylingdales, and accommodation at the HMS Nelson naval base at Portsmouth.

Mr Webber seems confident that the initiative will provide a new and more efficient source of capital for the MoD. "There is a genuine enthusiasm here now that private finance can be used to get the MoD more of what it wants," he says. "This is a large organisation and there will be hiccups, but I think this is going to work."

However, as several of the projects show, there are structural problems to overcome. In the case of the Tidworth sewage project, for example, the operation splits into two distinct phases, an original purchase or construction period, followed by an operation or service provision phase. That is true for many other potential private finance projects too.

Often it is civil engineering contractors that are being asked to provide both the initial build and the capital for it. Yet they are not suited to such heavy financial commitments. Their normal operation finances construction to some extent, and then sells on the project once building is complete.

In the case of Tidworth, if water companies are successful they could finance construction either by their own workforce or by sub-contractors. But in many other instances contracting companies are still faced with financial burdens they are ill-suited to share.

One solution, as in the provision of naval training, for example, is the formation of consortiums that embrace contractors, capital providers and operators. Venture capitalists may also enter the field or, as with Tidworth, substantial companies may finance the total project and bring in construction companies as sub-contractors.

"We do need to develop a class of operator companies or joint ventures which can provide capital for construction and lift that burden from contractors," acknowledges Mr Webber. "This is a developing sector which will need equity and debt and I am confident that a variety of solutions to the problem are already beginning to emerge."

Whichever way the initiative develops, there is clearly a lot to do before it becomes an exact science. But the MoD seems confident that it can be made to work and will spread. One possibility under active consideration is "power by the hour" where private companies own and maintain all training aircraft for the RAF, and the MoD simply pays for the training time it uses.

Whether that will ever extend to combat aircraft remains to be seen. But the fact that the MoD has considered leasing combat jets from the US suggests that the idea is not as far-fetched as many traditionalists would like to believe.

■ **Transport:** by Charles Batchelor

Delays impede projects

Contracts to improve road, rail and air traffic systems have fallen short of Treasury expectations

Transport provides some fine examples of both the potential and the limitations of bringing private finance into projects that would traditionally have been funded by the public sector.

The Queen Elizabeth II Bridge over the Thames at Dartford not only freed a notorious bottleneck on the M25 London orbital motorway; it is also expected to pay back its investment in just 12 years instead of the projected 20.

Deals have also been reached for the first four "design, build, finance and operate" roads contracts in what the government hopes could become a significant element in its road building programme. Private companies build and operate the roads for up to 30 years, collecting "shadow tolls" from the government based on traffic volumes.

But hopes of financing the purchase of 40 Networker trains for British Rail's south-east commuter lines foundered on what the private sector saw as unreasonable government expectations.

Despite their hunger for rolling stock orders, neither ABB nor GEC-Alsthom was willing to bid for the £150m contract, seeing the fact that it guaranteed them income for just seven years – less than a quarter of the working life of the trains – as unacceptable.

Over the next two to three years the private finance initiative will stand or fall by its achievements in the transport field. Road, rail and air traffic control schemes account for no less than 80 per cent of the £5bn worth of PFI projects that the government hoped to award in 1995.

Because of a number of delays, there is now no prospect of this target being reached. Plans to modernise the main west coast rail line at a cost of nearly £1bn hava been taken out of tha PFI because Railtrack, promoter of the project, is to be privatised sooner than originally planned. It wants to finance the npgrading of the line from its own resources. The £100m-£130m extension of the Docklands light railway under the Thames to Lewisham proved unviable without a considerable injection of public funds and the contract will not be awarded until next April.

Progress has not been helped by what some close observers see as an excessive protectiveness on the part of the department of transport of its own projects. The department has a relatively small team of officials involved directly on the PFI – though it says a large number of officials devote some of their time to it – and, unlike some other departments, employs no private sector secondees.

Right direction? The Northern line project involves considerable risk transfer Trevor Humphries

Wrangles over the size of the public contribution in those projects where the private sector alone cannot finance a deal have proved a sizeable stumbling block. The two consortia that are bidding to build and operate the high-speed Channel tunnel rail link – at £3bn the largest single project in the initiative – are currently engaged in negotiations with the government over just this issue.

Projects where there is no need for a lump-sum cash injection from the public purse and where revennes are paid by the final customer – the travelling public – have proved the most easy to pnt together.

The opening of the QE2 Bridge at Dartford predates the formal launch of the PFI by more than a year but is now cited by the department of transport as an early exemplar. Its construction was part-funded by the allocation of tolls from the existing inadequate tunnel.

Contracts where the deal depends in part on a contribution from the public sector have yet to be tested, although reaching agreement on the amount of public funds can complicate negotiations.

Projects launched as purely private sector contracts have developed the habit of sucking in public money when the government and bidders get down to detailed negotiations. The rail link was originally intended to be built without any public sector contribution.

But the government was forced to bend the rules and argue that public funds could be justified because of the link's contribution to improving domestic rail services. The Docklands rail extension into Lewisham was similarly planned as a private sector deal but has since been shown to require an injection of £50m of public funds.

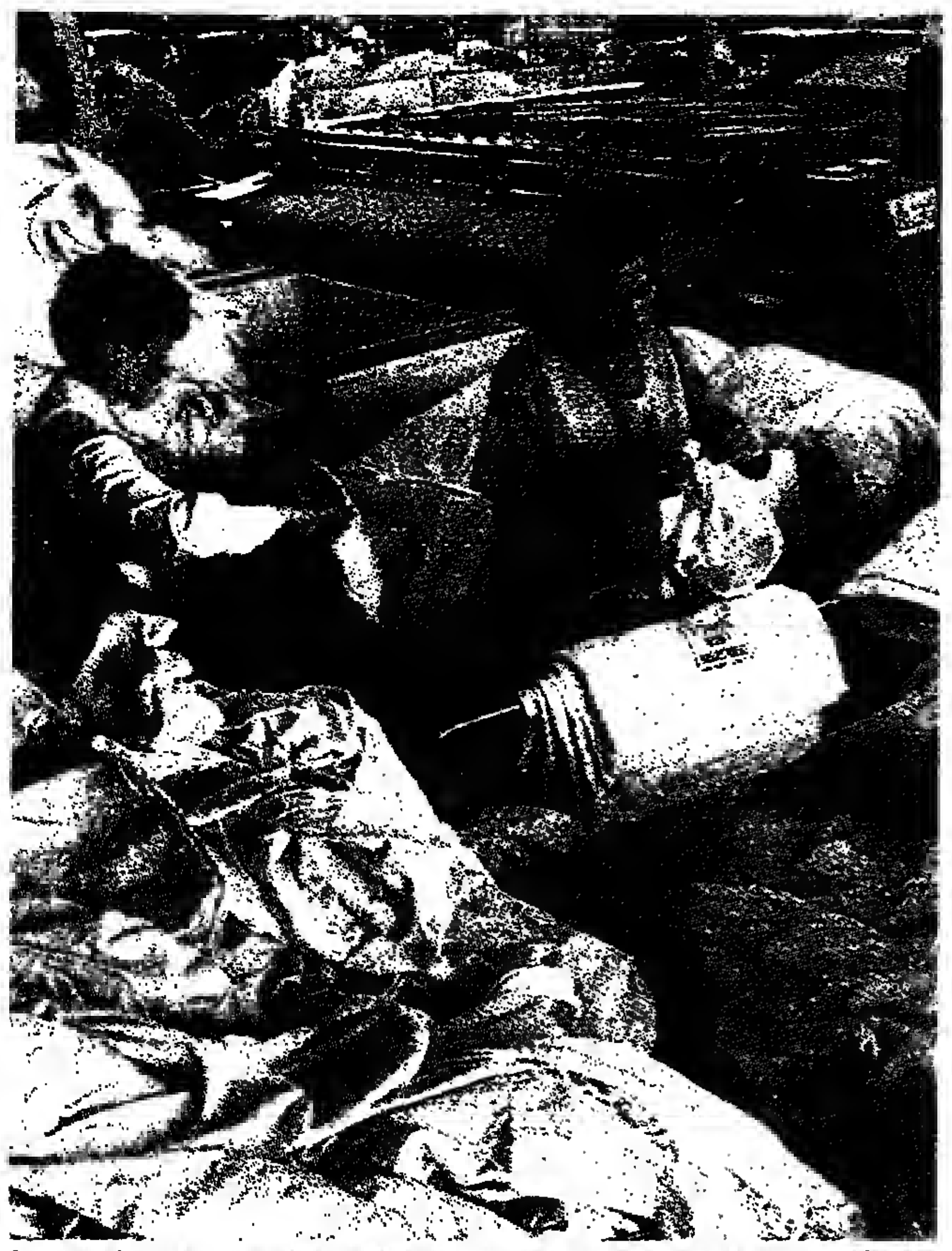
These compromises reveal the limitations of entrusting long-term projects to a private sector that requires a more rapid pay-back on its investments. Unless there is extreme pent-up demand, as in the case of the QE2 Bridge, it may take many years for full capacity to be reached.

This, and the uncertainties of traffic forecasts, mean that bidders have a strong incentive to inflate the value of contracts to cover the additional risks. But as departments and the private sector gain experience they can reduce "the premium for newness". The second Severn bridge project was mnch more finely priced than the QE2 Bridge at Dartford because both sides were more familiar with the risks, says Mr Chris Elliott, responsible for transport at the Private Finance Panel.

Despite the delays and the doubts, the PFI has achieved some notable successes. The most attractive deal to be concluded since the launch of the PFI itself – an £800m-£900m contract to supply and maintain new trains on London Underground's Northern line – appears to involve a quite considerable transfer of risk and the promise of significant service improvements.

GEC-Alsthom will supply and maintain for 20 years a new set of rolling stock for the line. It has promised an eight-fold improvement in the reliability of the services – rednciug breakdowns from once every two and a half weeks to once every four months. If LU is satisfied, it has an option to extend the contract for a further 16 years.

The sceptics say the Northern line deal was a one-off, possible only because both rolling stock suppliers were desperate for the order. If they're right it should soon become clear: several more transport deals are due to be signed over the next few months.



Cottoning on? Contractors increasingly handle ancillary services but big private projects have yet to take off

■ **Health:** by Mark Suzman

Small steps on a difficult road

Controversial and bureaucratic, NHS tendering is one of the PFI's most problematic areas

"I'd quite like to be working in that pipeline," commented one disgruntled hospital trust manager at a recent conference. "There seems to be a lot of money for new development in there and not much out here." The development he was referring to was not a new gas or oil link up but the large list of impending PFI projects in the NHS, routinely hinted at by government officials to be worth up to £2bn, that have yet to see the light of day.

The reasons for his irritation aren't hard to find: of all areas of the PFI, the health sector is perhaps the most conspicuous one where oft touted "enormous potential" has largely remained just that. Only a little more than £170m in projects has been approved since the launch of PFI, most of those restricted to limited initiatives such as car park management and construction, cleaning services or, in health care itself, discrete areas such as pathology departments.

Meanwhile, complicated requirements for PFI-related tendering, such as for information systems in hospitals, are widely regarded to have retarded rather than facilitated new investment and, so far, not a single sizeable new hospital is under construction.

At the beginning of this year, the government ruled that it would approve no new capital spending by NHS hospitals of over £250,000 unless their trusts could prove to the Treasury's satisfaction that private finance could not be found. But, with guidelines and procedures for proposals unclear, officials got bogged down in paperwork, the private sector stayed away and the result was the inadvertent freezing of many new purchases, ranging from housing for the mentally ill to the procurement of large computer systems by hospitals.

Add to that the fact that many businesses are understandably chary of deals that require 20- to 30-year contracts but offer no long-term guarantees on future use by the NHS, and the reasons for the slow take-off of the scheme in the health sector become obvious.

This is not, however, to say that the use of the PFI as a tool for new capital investment is not appreciated by people within the health services. The National Association of Health Authorities and Trusts, the main umbrella body for NHS managers, favours the initiative. But it, like many other groups, has called for the streamlining of what it has dubbed "cumbersome, time-consuming and bureaucratic controls".

These charges are angrily denied by PFI-backers. Mr Michael Queen, who has been seconded until the end of the year from the venture capital group, 3i, to head the Private Finance Unit's operations in the health sector, insists the procedures for getting big projects off the ground are actually faster under the PFI than traditional public spending.

"Historically, the NHS has averaged one project worth more than £25m a year, but in the last 12 months, under the PFI, we've put 25 projects of that size into procurement," he says. "Traditionally, something that size took 18 months or longer to set up, but now we calculate each of them will average between 12 and 18 months, saving time and money."

And despite the succession of attacks and setbacks, the PFI does seem to be finally coming on track. Some big construction companies, such as Tarmac, which in September announced it would build its first PFI hospital – a £4m project in Bournemouth – are finally getting involved in the sector. In other areas, meanwhile, innovative schemes are being set up that could herald an end to the long hiatus in equipment spending.

In October, for example, the Grimsby Health Trust put together a deal with Siemens-Nixdorf under which the company will not be paid until the system is successfully meeting an agreed performance level. And even though Treasury approval for that project took six months, the pace should now start to pick up – and so should private sector enthusiasm. Siemens-Nixdorf is so pleased with the deal that it has now set up a taskforce to seek other PFI contracts throughout the public sector.

But, while the economic debate over whether the PFI is the most efficient means of new capital spending in the NHS may be starting to become resolved, the political storm surrounding its construction will not. The medical profession, health unions and the Labour party are all deeply attached to the idea of the NHS as a public service administered by the state on behalf of all the people of Britain, a belief that has resulted in unmitigated hostility to the new initiatives.

Mrs Margaret Beckett, the former shadow health secretary, has accused PFI projects in the sector of being the first step in the "creeping privatisation of health care", and has said that Labour would seek to renationalise any projects set up by a Tory government.

> Big building companies are finally getting involved in the sector

These sentiments are echoed by the British Medical Association and Unison, the public sector union, which has called for a national campaign against the scheme. "The introduction of the ethics and ethos of the private sector and private marketplace in the provision of healthcare services to patients is potentially disastrous," asserts Dr Mac Armstrong, the BMA secretary.

Such statements are not only politically damaging for PFI, but cause private sector companies to demand higher premiums for developments in the health sector and leave trusts reluctant to embark on expansion for fear of a change in government. Partially mitigating that fact, however, is a new-found enthusiasm for the system within the department of Health itself. Ms Virginia Bottomley, the former health secretary, was never a great fan of the PFI in the health services, but her successor, Mr Stephen Dorrell, is known to be much more enthusiastic about the scheme and is determined to get some successful projects up and running in time for the next election.

The Treasury has reportedly given tentative approval to 10 new capital projects worth around £250m, two of which – one for Norfolk and Norwich Trust and the other for Swindon and Marlborough Trust – are for new district general hospitals, the former valued at more than £100m. Mr Queen expects final approval for the first of these by December, with the rest starting to follow in a steady stream through 1996 and 1997.

"There haven't been serious delays," he insists. "Big projects take time to set up. But now we've worked through the process and the result is going to be hospitals which are cheaper and more efficient than those carried out in the traditional manner. Even the clinicians are starting to come round."

If that does indeed start to happen, then sceptics like the disgruntled hospital manager may start to change their tune – but they will want to see buildings under construction, rather than simply stuck in that procurement tunnel, before they do.

■ **Education:** by John Authers

University challenge

Some educational establishments are striking innovative deals with private companies

The private finance initiative has yet to gain a firm foot-hold in education. While there is potential for expansion, it seems highly unlikely that educational institutions will ever embark on private financing projects to match the complexity of those already seen in transport and health.

There are several reasons for this. Most importantly, schools and further education colleges are relatively small, making it harder to generate projects on a scale that will interest the private sector.

Universities are an exception, but they have institutional autonomy, so that they, and not the government, are the ultimate guarantors of a loan. This makes it harder to raise funding, while the government cannot – as it does with hospitals – apply direct measures to force them to use private finance.

Instead, it must operate mainly through the quangos that fund universities and further education colleges, and through local authorities that delegate budgets to most British schools. This, of course, can create its own difficulties, as the funding bodies have little money for capital projects.

However, universities are increasingly entrepreneurial, with ambitious operations to attract funding for research, and spin-off companies providing consultancy services for businesses. The virtual standstill in government funding for student accommodation had already forced them to look for innovative sources of money.

Many universities sold their housing stock to companies under the Business Expansion Scheme, which offered tax incentives for investment in social housing, with a guarantee that they would buy them back after five years.

> Nine per cent of the 434 FE colleges are financially weak

This approach has already spawned a few ambitious schemes that are in line with PFI objectives.

The University of Lancaster launched a £35m bond issue in March this year. The stock, repayable over 30 years, funded building projects. The university said it had wanted to fix its loan commitments for the next three decades, allowing it to plan with more certainty. It will pay an interest rate of 9.75 per cent, capped by the Higher Education Funding Council for England.

However, a more ambitious syndicated borrowing schema organised by the funding council has experienced repeated delays. It proposed to allow a group of universities to borrow using a vehicle company with a small permanent staff, similar to the Housing Finance Corporation that raises money for housing associations. This would include a range of universities and other higher education institutions that had varying degrees of credit-worthiness.

Some of the stronger universities were nervous about taking part, believing they could borrow at better rates on their own. Enthusiasm for the scheme, first mooted last year, has waned as bank interest rates have risen.

The University of Greenwich last month unveiled a more innovative scheme, its deal with Wimpey, the construction company, allowing for 664 extra units of student accommodation at a cost of approximately £12m.

Under the agreement, Wimpey Construction investments will be responsible for the funding, design, construction, facilities management, catering and summer letting of accommodation. The university benefits from fixed costs over the 30-year period for which the student accommodation will be provided. Ownership of the properties will revert to Greenwich at the end of the 30-year term without any extra payments needing to be made.

The funding council for England is trying to encourage more developments of this type, although it has limited leverage. Mr John Avery, the council's property director, says it is able to provide funding of up to 25 per cent for specific projects. To qualify, higher education institutions must give "diligent consideration" to private finance, a process that might include advertising, and employing consultants.

Several "one-stop" consortia, including banks, property and construction companies and facilities management consultancies, are already offering services for further deals of the same type. They point to higher education's huge borrowing requirement, estimated in 1993 at more than £1bn – most of it for accommodation – as a sure sign that demand will increase.

Under examination: several consortia are now paying careful attention to opportunities offered by university buildings — Colin Beere

The government has more leverage over further education, a "cinderella" sector covering vocational training, adult education and evening classes. Further education colleges may, in any case, be happier to attempt more ambitious schemes, because they are under-funded as a result of the radical reform that saw them removed from local authority control in 1993. According to the Further Education Funding Council for England, 9 per cent of the 434 colleges have "weak financial positions", compared with 5 per cent a year ago.

The Department for Education has a high profile in promoting the financial opportunities offered by the sector. Last month, Mrs Gillian Shephard, the education and employment secretary, unveiled a catalogue of 478 projects that could use private capital. The projects relate to 172 colleges – about a third of the total – and are worth £650m. Many colleges are run from Victorian accommodation or inefficiently designed town centre buildings spread across several sites, and could benefit from a move to smaller purpose-built surroundings. As they are already involved in community education, many are also examining "dual use" arrangements with the private sector. Colleges would use facilities – such as computer or language laboratories – during the day and allow private operators to offer them to the public in the evening.

The funding council has increased the incentives for colleges to look for extra borrowings by allocating £50m annually, which it will distribute to colleges as "loan support". If colleges take out large loans to finance development with support from the private sector, these funds, none of which has yet been committed, would help to pay the interest.

And the council has pump-priming power, with the ability to fund up to 75 per cent of capital projects.

Entrepreneurialism is already beginning to show its head. North Hertford College is in a joint venture with Glaxo Wellcome, the pharmaceuticals company, to refurbish its science block, while Kingston College is developing a motor vehicle workshop with BMW, the German car maker. But the sector, like the rest of education, still has a long way to go.

Scheme faces critical year

Continued from page 1

midnight oil is being devoted to the pricing of risk, and to models for comparing costs of "traditional" and "PFI" projects, although the latter task is highly problematic. Civil servants are also acutely aware of the looming presence of watchdogs such as the National Audit Office, which are sure to examine PFI projects in depth.

For the private sector, it is departmental caution, not Treasury enthusiasm, that is most striking. The three consortia in the last stage of bidding for the critical £1.5bn PFI project to automate over-the-counter transactions – notably benefit payments – at Britain's 20,000 post offices are complaining loudly about the slow pace of negotiations. On one estimate, bidding costs are already approaching £40m.

In last year's budget Mr Clarke set a target of £2.8bn for PFI projects this year, plus £2.7bn for the fast channel tunnel rail link, a highly exceptional project. So far about half that sum has been achieved. Undaunted, the Treasury is touting next year's target – to be announced in this month's budget – at around £5bn, more than a fifth of the government's investment programme.

The coming year may make or break the PFI. It has to overcome obstacles ranging from the inadequate training of civil servants to the shortage of suitable funding vehicles and rising discontent among some suppliers. Moreover, real value for money has to be forthcoming, and demonstrated to the satisfaction of the National Audit Office and others.

There are some encouraging omens. These include the Department of Social Security's contract to develop and operate its new national insurance recording computer system, London Transport's contract for new Northern Line trains, two new privately financed prisons, and progress with significant government property projects.

There are, however, sectors where the PFI has failed to make much impact. There has yet to be a PFI deal announced for a new general hospital. Education and local government are notably barren fields, and much hinges on recent changes to the rules for local authority capital spending.

One observer likens the state of play to the beginning of privatisation in the early 1980s. Some deals have been done and the Treasury is convinced of the PFI's viability; the private sector is investing heavily in acquiring expertise and a slice of the prospective action. But scepticism is widespread and there are no useful international parallels. "We'll only really know if it works when it happens," he says.

■ **Local government:** by John Authers

Links with business grow

The easing of local authority controls has transformed the climate for private finance

A bonfire of controls is blazing a trail for private finance in local government.

The draconian constraints on councils' spending that wera designed to cut down on "loony left" abuses had ironically also eliminated virtually all chances to attract private finance. Now the government is waiting to see if it has relaxed the rules eoough to persuade councils to work with the private sector.

A wide-ranging package of measures announced at the end of October should make it possible for councils to enter into "design, build, finance and operate" (DBFO) contracts with the private sector. None has yet taken place.

The new rules allow local authorities to replace a building in any of 10 categories – including offices, schools, libraries, bus stations and car parks – with another building to be used for the same purpose, but DBFO-funded.

The buildings can be either renovations or completely new, and can move site. Tha contractor must be responsible for both buildings and facilities management, and must assuma the full risk of any increase in costs (except those for fuel).

At present, such schemes are very much in thair infancy, restricted in the main to environmental projects such as incinerators. The Single Regeneration Budget, the system used to co-ordinate the competition for regeneration funds each year, has also encouraged co-operation between councils and the private sector: bids must be made jointly, generally on ambitious schemes such as town centre redevelopments.

Councils also now have increased powers to form joint ventures with private sector companies. These can be used to transfer risk.

Mr Nigel Middleton, of the Private Finance Panel Executive, believes the new rules have transformed tha prospects for bringing private finance to councils. He says: "In the fullness of time, local authorities aren't going to be effectively on a different basis from central government departments as far as PFI is concerned – there are a lot of good models coming through for them to pick up. The rules have been widened sufficiently – there's room for a lot more from local authorities."

He cites DBFO roads, pioneered by the Highways Agency, which has responsibility for national trunk roads, as a prime example. Most of the UK's roads are controlled by councils, and could be run according to the same principles.

Local government reorganisation, which will abolish some councils and give new powers to others across Scotland and Wales, and in most English counties outside the metropolitan areas, provides opportunities to fund new or replacement council offices with DBFO arrangements.

But ministers' attention is mostly on achools. Whila teaching and recruitment would remain the exclusive responsibility of the head, all other tasks – from maintenance and security to catering – could be carried out by a "school operator". Given the extra responsibilities that have devolved from local authorities to heads in recent years, this development might well ha welcomed by the teaching profession.

Bankers, however, are nervous about the risks. The recent decision by the government to close a school in Hackney, east London, demonstrated that, thanks to population flows, schools are much more prone to changing levals of damand than other areas of the public sector.

Slightly less ambitious uses of the PFI concept also now possible under the new rules are "dual use" schemes, which have again been devised with edncation primarily in mind. Oo this model, the school never parts with any cash. The private sector operator undertakes to build or renovate a facility oo the school campus – the most obvious example being a sports hall or leisure centre. It then attempts to extract a profit out of it by offering its facilities to adults outsida school hours.

Early examples of this principle include the "regional educational superhighways" being established by Link Training, a private training provider, in conjunction with local authorities and universities. Link provides schools with rooms of computers with multimedia and on-line abilities, along with full-time staff to help teachars and pupils access them. In return, it uses tbe facilities for its core business – training adults – once the children have gooe home.

The government has also introduced a series of capital receipts "holidays", in a more direct attempt to nudge councils into action. These allow councils a window of opportunity to sell assets and spend a higher proportion of the receipts than they are currently allowed.

The holidays announced to date cover:

- Educational assets, such as playing fields, where the proportion has been raised from 50 to 75 per cent for a two-year "holiday" period starting in April next year;
- Shares in education companies, raised from 25 to 50 per cent for the same two-year period;
- County farms, up from 50 to 90 per cent for sales in the same two-year period;
- Airports and bus companies (75 per cent can be spent, up from 50 per cent, during the 12 months starting in April this year);
- Retail property and car parks (up from 50 per cent to 90 per cent during the year which started this September).

> Councils can now form joint ventures with companies

All of these measures give big added incentives to councils to make straightforward asset sales, although financiers are concerned that they might give rise to schemes born of expediency, rather than projects with a secure long-term future.

Political sensibilities create a further problem. Local authorities are overwhelmingly controlled by opposition political parties, who strongly oppose the government regimes of "capping" their budgets, and forcing them to tender services to the private sector. Many councillors view the PFI as a cynical extension of such measures.

The three umbrella local authority associations, all of which are Labour-controlled, are setting up a Public Private Partnerships Programme to co-ordinate private finance initiatives. This demonstrates their enthusiasm for the scheme. But they are anxious that the initiative should not become a ruse to cut overall capital funding from the government.

In a joint letter to Mr John Gummer, the environment secretary, the leaders of three local authority associations said: "We aim to increasa investment. We are certainly not establishing a unit to paper over cuts in capital spending which might be made so as to finance income tax reductions."

■ **The construction industry:** by Andrew Taylor

'Last chance saloon' opens

The beleaguered builders are now more confident that the PFI will deliver

Many Britisb construction companies, sbort of work, view tbe Government's private finance initiative as the "Last Chance Saloon".

Unfortunately, they complain, the bar seldom seems to be open and the drinks mostly are too expensive wben they get there.

The recent granting of the first four concessions to finance, build and operate sections of British motorwaya may help to alleviate some of the coocerns about the slow progress in awarding PFI schemes.

However, there remains a large number of contractors that fear the Government is using its private finance initiative simply as a back-door means of cutting public expenditure.

Recent speculation that ministers are preparing to cut even deeper into trunk road and social housing budgets to pave the way for tax cuts will have done nothing to reduce these concerns.

Delays in awarding both PFI and public sector construction contracts are among the biggest complaints of contractors, which expect to see workloads decline by about 2 per cent this year with a further small fall likely in 1996, according to recent industry forecasts.

Meanwhile, requirements that civil servants investigate private investment opportunities before awarding construction contracts have only increased the number of delays, complains Mr John Theakston, chief executive of the contractors Higgs and Hill.

Mr Theakston is particularly concerned that all hospital contracts above £500,000 have to be tested for suitability for private investment.

"Many of these projects are unsuitable for private finance," says Mr Theakston. "Yet contracts cannot be placed until this process is completed. Mnch needed investment by the health eervice is being delayed unnecessarily."

Contractors also are concerned about the high cost of preparing bids for PFI projects, which, because of the higher investment risks involved require much more work than traditional public sector tenders.

The costs of bidding for a PFI project can be up to five times higher than for conventional public sector contracts, according to industry studies. The cost of tendering for one of the four design, build, finance and operate motorway concessions recently awarded by the Transport Department has been estimated et about £1m.

"You cannot afford to bid for too many of those contracts and not win," says one unsuccessful bidder.

A coalition of construction industry employers, organisations and lobby gronps recently proposed a series of recommendations to improve the processing and awarding of PFI concessions by Government departments.

The proposals included:

- A value threshold of £20m, below which public sector contracts would no longer need to be automatically tested for a PFI option.
- Specific annual PFI targets to be established for each government department.
- Davelopmant of standard contract documentation.
- Restriction of tender lists to three or four bidders and the identification of preferred bidders as early as possible to prevent unsnccessful organisations facing unnecessarily heavy tender costs.

Contractors quoted an Environment Department study that reported that 84 per cent of companies pursuing PFI projects had complained that they had encountered unnecessary barriers.

So why get involved in a process that has proved expensive, in terms of both management tima and money, and has produced very few positive results, so far?

Contractors say they have no choice but to pursue PFI opportunities. Other sources of work are in short supply, while the state purse faces too many other demands for it to be eble to fund all the infrastructure and services tbe public requires. The cost of funding benefits in an age of moderate to high levels of unemployment, plus the need to provide care for an ageing population, can only add to this problem.

Nevilla Simms: 'There will be plenty of opportunities' Trevor Humphries

Mr Jim Armstrong finance director of cootractor John Laing says: "This situation is not unique to the UK economy. There is a world wide trend by governments and local authorities towards using private investment to help finance infrastructure, but it has to be done in partnership with the public sector.

"There is no way that a private organisation can take on the same level of risk as the state without massively increasing costs. What Government and private companies need to achieve is a sensible balance between risk and reward. The partnership route is the only way forward. There is no way the Treasury can achieve a full risk transfer to the private sector without increasing the price to a level that it would find unacceptable."

Laing has been one of the most successful Britisb contractors at winning privately financed infrastructure concessions at bome and abroad. Its portfolio includes Spanish toll roads and power stations in Malaysia as well as the new £300m Severn bridge in the UK, the £60m Eurobub airport in Birmingham, a £145m Midland metro scbeme and a £100m new railway station at Asbford serving Channel tunnel traffic.

Mr Armstrong says: "Companies will look abroad if the returns are not good enough in the UK to justify the risk they are being asked to accept."

Mr Neville Simms, chief executive of Tarmac and a member of the Private Finance Panel, bowever, is optimistic that these issnes can be resolved.

He says: "People have underestimated the length of time it takes to develop projects for which there is no previous model. Lots of details have to be worked out and eacb scheme is different, but I do believe that we are making progress.

Tha first contracts should provide a framework for future negotiations, reducing tendering costs and the length of time it takes to negotiate deals, says Tarmac, which earlier this year was awarded one of the first two prison contracts to be placed under the private finance initiative.

Mr Simms argues that opportunities to win work under the PFI will expand, and not only for large companies witb strong balance sheets that are able to afford a series of small strategic equity stakes in privately financed schemes.

He says: "There will be lots of projects wbere the involvement of contractors will be required but wbere an equity stake may not be applicable. Large companies cannot do all of the work that the government envisages will becoma available under the PFI. There will be plenty of opportunities for large, medium and small companies alike."

Mr Simms and his colleagues just want those opportunities to come round a little more regularly.

■ **Information technology:** by Paul Taylor

Deals demand risk control

The contract for NIRS2 highlights the opportunities – and liabilities – for IT suppliers

The Private Finance Initiative, launched by Mr Norman Lamont in November 1992, promises significant changes in the way government information technology projects are managed and in the provision of IT services. For the larger IT service suppliers in particular, it offers new opportunities, new risks and new rewards.

"Under the initiative, the private sector takes on the risks of developing and delivering IT systems, and in return receives payments linked to the volume of business handled by the system – resulting in greater efficiency and better value for money for the public services," says Mr David Clinton, a partner with Andersen Consulting in London.

"It is clear that the PFI is central to the Government's efforts to square the circle of improving public services while limiting public spending – and that commitment represents a significant challenge to private sector suppliers and public officials alike," says Mr Clinton.

The challenge can require attitudinal change. Andersen Consulting was recently awarded the contract to develop and operate the new National Insurance Recording System, dubbed NIRS2. "For civil servants charged with managing large-scale capital projects, the PFI is nothing less than a culture shock," says Mr Clinton, who negotiated the contract with the Department of Social Security. "It requires new disciplines and new thinking from them."

However, some factors remain the same. Firstly, value for money is still a key driver. Indeed, demonstrating that a project will deliver savings and business benefits that could not be achieved in the public sector becomes even more important if the slightly higher cost of private finance is to be justified. In addition, if a system does not fulfil public service expectations contractors will lose out. They must, therefore, effectively "put their money where their mouths are".

Secondly, public services remain bound by European Union procurement laws and virtually all PFI projects will be contracted through open competitive tendering, ensuring maximum value for money.

For the public sector, the PFI offers the benefits of increased capital investment from the private sector's resources, together with its disciplines and enterprise. According to the PFI's advocates, this should mean improved services and infrastructure and some projects going ahead that might not otherwise be deemed affordable. For the private sector, the PFI means opportunities for increased business and profits.

Although there have always been successful private sector-public infrastructure projects,

> Under the PFI, the IT asset belongs to the contractor, who must keep pace with change

Mr Clinton argues that the PFI is different both in its ubiquity and in its nature. To start with, the PFI is concerned not just with assets, but with the services they might provide.

"The first question civil servants must ask when they are assessing the suitability of a project for PFI is, 'Can we specify the service the asset would deliver, or not'," he says. "If they cannot, or if that service cannot be quantified, measured and then charged for, then the PFI is probably inappropriate."

For example, Andersen Consulting will not be paid for developing NIRS2, but for providing a service with that system to the DSS's Contributions Agency, and its revenues will be dictated by the subsequent volume of business the system handles.

But the main departure is the PFI's attitude to risk. "PFI is all about successful risk management. Civil servants must ask themselves if there are clear risks associated with building a particular asset, and if so, can these risks be transferred to the private sector. If the answer to either question is 'no' then they should not pursue their project under the PFI," Mr Clinton says.

The Government hopes that by developing better ways of managing risk it can break the cycle of over-engineered, late and over budget projects that have too often plagued public procurement, particularly in the IT field. It is trying to strike a commercial balance between cost, risk, and return.

Crucially, the PFI shifts the burden of risk away from the public service and on to the contractor. A successful bidder for a leading IT development, for example, now has to anticipate inflationary movements and changes in the cost of technology, bearing in mind that the asset must remain technically current throughout the entire contract. According to Andersen's Mr Clinton this means the contractor is subject to a new set of risks. These include:

● **Delivery risks** The contractor is responsible for every aspect of establishing the service on time and must procure the appropriate software, hardware and telecommunications. Depending on how the service is specified, the firm may also have to take responsibility for implementation, training and business process redesign – which may absorb more than half the time and effort in a large programme.

● **Volume risks** The contractor cannot expect a guaranteed income stream since charges are linked to the volume of business use. However, this does offer fresh opportunities for the contractor, which has an incentive to make the system flexible and attractive enough to support new areas of business – so generating increased revenue and delivering better value for money to the public sector.

● **Obsolescence risks** Under the PFI, the IT asset belongs to the contractor, who must keep pace with technological changes. IT contracts will run for a specified period, at the end of which the contractor may be undercut by a cheaper and technically superior solution. Successful contractors must be adept at exploiting the latest technologies to meet or exceed service expectations, maintain revenue and succeed at re-tendering. This will result in further benefits for the public sector flowing from the continual updating of capital assets.

● **Economic risks** The contractor is no longer protected by inflation-indexed payments matched to out-goings over time. Instead, the successful bidder must take a long-term view on inflation and movements in costs and prices. The risks associated with delivery and obsolescence will place a premium on finance for the initial phase of the project, and on any financing against the long-term value of the asset. As a result, contractors who can best manage risk will prosper, since they offer better financial prospects – creating a beneficial link between quality solutions, safe delivery and low costs.

For these reasons, the PFI marketplace for IT systems and services is seen as favouring the contractor capable of developing flexible systems able to evolve in order to meet changing business demands.

Most analysts also believe it will favour the larger IT service suppliers including the large IT consultancies, hardware vendors and others who are better able to fund large projects and manage the risks, and for whom the PFI offers the opportunity for securing higher margins than basic outsourcing work.

However, Mr Clinton believes the enormous scale of most PFI projects will put many of them beyond the scope of even the larger individual organisations. As a result, he suggests many projects will be handled by consortia – a factor that should help to ease fears about small companies being excluded.

"PFI is about successful risk management and this can be done only with the appropriate personnel, training, processes and tools. The initiative therefore gives an edge to organisations that are committed to quality, and able to generate long-term economic gains which will be reflected in the price of the service," he says.

■ **Property:** by Simon London

Panel offers 'open brief'

Some investors baulk at the idea of 'flexibility' in the design and leasing of government buildings

The commercial property industry is enthused and threatened in equal measure by the government's Private Finance Initiative. While the PFI could boost activity at a time when private sector markets are moribund, it could also herald a rationalisation of government property holdings and an erosion of old certainties.

There is certainly immense scope for applying private capital to government accommodation. The central government estate covers about 5,000 buildings, amounting to about 118m sq ft of space. About half of this property is held freehold, but the government's annual rent bill still comes to around £800m.

The variety of potential PFI projects is wide, with a capital component ranging from £4m to over £200m for very large schemes, such as the planned redevelopment of the Treasury headquarters building in Whitehall.

It is already clear that the biggest PFI schemes will not cover only single buildings. The Department of Social Security is rationalising office accommodation for its 14,000 staff on 11 sites in Newcastle, Tyne and Wear, including the huge Long Benton office development.

A handful of PFI initiatives is already well advanced. Three companies – Taylor Woodrow, Amec Developments and WS Atkins – have been shortlisted for the Newcastle project. Two consortia have been shortlisted for the Treasury headquarters scheme.

Guidelines published by the Private Finance Panel on November 1 set the principles on which these and other projects will proceed.

First, the government is not only trying to hand over ownership of its buildings to the private sector. It would also like to devolve responsibility for upkeep and maintenance.

This means that government departments will be less willing to sign standard "fully repairing and insuring" leases, which place responsibility for upkeep of a property on the shoulders of the tenant.

Second, the public sector is keen to transfer "occupancy risk". In other words, government departments do not want to be tied to 25-year leases – which have historically been the norm in the UK property market.

The guidelines note that "flexibility is becoming increasingly valuable to government clients because of the potential for future changes in operations policy and working practices".

Private sector companies are also increasingly demanding flexibility from their landlords. The average length of commercial property leases has declined significantly over the past decade.

Clean sweep? Ideas for the refurbishment of the Treasury have been left in bidders' hands

The fear among property investors is that the PFI will accelerate the pace of change and help to undermine the property investment market.

The manager of one large UK property fund comments: "The 25-year lease has been the foundation of the market for years. If the government moves away from this, other tenants will follow. The risk profile of property as a financial asset will increase dramatically."

In theory, higher risk should mean a higher return. At its most basic level, the government will have to pay higher rents if it wants shorter, more flexible leases.

The Private Finance Panel also acknowledges that some PFI property projects will not be financially viable on short leases. Mr Charles Jenne, a member of the panel executive, comments: "There is a recognition that flexible lease terms will cost. A short lease structure will not make sense in all cases – for example, if we are leasing specialist facilities with few alternative tenants. We will look at projects on a case-by-case basis."

The desire for flexibility on the part of government departments is already influencing the design of new buildings.

Architects are designing buildings that can be split into discrete units, allowing government tenants to shrink or expand more easily and increasing the scope for re-letting surplus space to private companies. The panel is trying to encourage such innovative solutions by giving potential partners "an open brief". For example, the Treasury has said that it would like refurbished office accommodation on its Whitehall site, but has left it up to the bidders to suggest how this might be achieved and on what terms.

The panel views this open-brief policy as the best way of squeezing economic value out of the government's property assets. If developers believe value can be released by turning an office block into a shopping centre, then the government is willing to listen – so long as it shares in the value that is released.

Even so, it is clear that some mainstream property investors are sceptical about PFI and the scope for their involvement. For example, many mainstream property investors declined to pitch for the Treasury headquarters project.

The panel is not disheartened by the response. "I think more mainstream institutional investors will get involved as projects move forward and long-term financing is put in place," says Mr Jenne.

In the meantime, though, the lead has been taken by construction companies eager for work, and smaller, more entrepreneurial property developers.

But as the PFI rolls forward through the government estate, government departments will be forced to take a long critical look at their accommodation needs.

Property Holdings – the agency that is responsible for most government offices until April, when it will transform into Property Advisers to the Civil Estate (PACE) – plans to cut its office requirement in central London from 21m sq ft to 14m sq ft by the end of the decade.

Areas such as Victoria, the traditional home of government departments, could suffer as a result. If similar savings are replicated elsewhere, the PFI could contribute significantly to the nation's stock of unwanted buildings.

COMMODITIES AND AGRICULTURE

US maize crop estimate cut again

By Laurie Morse in Chicago

The US Department of Agriculture has again cut its estimate for this year's US coarse grain production and boosted its forecast for maize exports, leaving traders and policy makers to contemplate even lower world stocks of grain than a month ago.

The agency forecast world grain stocks at 229.2m tonnes at the end of the 1995-96 crop year, down from the 232.76m estimated in October. That partly reflected a 2 per cent cut in its US maize production forecast to 7.37bn bushels.

The USDA also boosted its world wheat crop figure to 534.98m tonnes from October's 529.77m, because of forecasts of larger crops in India, Australia, and Canada.

The US is now facing maize stocks of only 617m bushels at the end of the season, according to official estimates, while soyabean stocks are put at 215m bushels. These would be the lowest ending grain supply figures in 20 years.

After the report, Chicago maize futures for December delivery rallied by 5 cents to a high of 336 cents a bushel before settling back.

Although the forecast cuts in maize and soyabean production were greater than traders anticipated, "there is far greater uncertainty on the demand side," said Mr David Woodman, an independent grain analyst in Chicago.

The USDA has pegged US maize exports at 2.05bn bushels this year, but weekly export figures released yesterday suggested 2.2bn to 2.3bn bushels would be more realistic.

Nature lays siege to Caribbean farming

Canute James on attacks from insects, fungi, drought, hurricanes and floods

Caribbean agriculture is under assault on several fronts. Bugs, flies, ticks and worms, are combining with a series of hurricanes and drought, followed by floods, to devastate crops and livestock.

The food deficit is rising in many countries in a region where most economies, despite recent efforts at diversification and industrialisation, are still dependent on agriculture.

"We have a crisis in agriculture in the Caribbean," says Mr Hayden Blades, executive director of the Caribbean Agricultural Research and Development Institute, based in Trinidad.

The latest threat is the hibiscus mealy bug, which is spreading through the eastern Caribbean, attacking a wide range of crops. This has coincided with the most active hurricane on record began, which has devastated farms in the north-east Caribbean.

Coffee farms in Jamaica are under attack, and those in neighbouring Cuba and the Dominican Republic under threat, from a worm that attacks berries before they are reaped. Banana farms in the northern Caribbean have been hit by the black sigatoka fungus.

Livestock farmers have been trying to eradicate the screw-worm fly and the amblyomma tick, which have decimated herds in several countries.

Agriculture is under pressure from all of these, and this has coincided with concerns about the external market for several products," says Mr Blades. "Investors in agriculture are likely to consider the region a bad risk."

The pink mealy bug, which was first discovered in Grenada last year, has extensively damaged crops in that island and has spread to neighbouring Trinidad and Tobago in shipments of fruit and vegetables. After being seen in urban areas of Trinidad the bug has recently has been sighted on some farms. It also threatens Guyana, Venezuela, the Windward Islands and Barbados.

Food trade in the region is affected, as several countries have halted food imports from Grenada. The US says it will not halt imports from Grenada and Trinidad and Tobago, but will tighten inspection of imports from these countries. The infestation is being fought by burning affected plants, and a Chinese wasp that attacks the mealy bug is being introduced.

The series of storms that hit the north-east Caribbean in August and September devastated food production in Antigua, St Kitts and St Martin. Worst hit was the banana industry in the Windward Islands. Banana trees are vulnerable to winds and in Dominica all farms were flattened by the storms.

Caribbean banana exports to Europe have declined, and will not recover fully for another nine months, according to officials in the Windward Islands. The storms hit as banana farmers were recovering from a two-year cycle of drought followed by floods. Domestic food crops have also suffered.

Although spared this year's storms, Jamaica's bananas are under attack from the black sigatoka fungus, which causes premature ripening of the fruit and eventually makes the plant sterile. The fungus is being fought with pesticides but is proving resilient. Cuban authorities are also fighting the fungus, saying production, all for domestic consumption, will decline. There are growing concerns in the Dominican Republic that the country's banana exports could be affected by the fungus.

Banana producers in the Windwards are hoping black sigatoka will not add to their problems. "We are implementing programmes to increase farmers' awareness of the threat of the fungus, and of the mealy bug," says Mr Michael Augustin, chief executive of the Windward Island Banana Development Company.

Jamaica's coffee, including the famed Blue Mountain variety, has meanwhile been attacked by the berry borer pest. The borer is endemic, but the level of infestation has reached 30 per cent, the highest in many years. Its attack will depress production, say agriculture officials.

These setbacks come as regional agencies are reporting the first shots in a war against the amblyomma tick, which has devastated livestock on the north eastern Caribbean. The eradication of the tick will take about five years of consistent work, officials say. The tick has infested herds in all countries in the region and has been devastating in some of the smaller islands, according to Mr Blades.

Regional governments are being assisted by the UN's Food and Agriculture Organisation in efforts to eradicate the new world screw-worm, a fly that attacks cattle mainly in Jamaica, Cuba, Haiti, the Dominican Republic and Trinidad and Tobago. About 86 per cent of the surface area of the Caribbean region has been found to be infested with the screw-worm, according to the FAO, which has also found that the incidence of infestation in the region is high.

Sterile breeds of the pest are being released to mate with fertile ones, producing no off-spring and leading to a progressive reduction in population and then total collapse and eradication.

"No one country can deal with these problems on its own, and there must be regional collaboration," says Mr Blades. "The difficulty is that governments in the region do not have the fiscal and the professional resources to deal with these type of assault, and the food import bills of many countries will increase."

Delia brings delight to the cranberry bogs

Britain's favourite television cook has helped to quadruple UK demand, writes **Deborah Hargreaves**

Since Delia Smith, one of *Britain's top food writers*, began featuring cranberries in her popular television series UK demand for this native North American fruit has soared. The Tesco supermarket chain has reported a 350 per cent increase in sales of cranberries compared with this tima last yaar, quashing rumours that the fruit had not proved as popular as expected.

Tesco says it has so far sold 30,000 bags of cranberries or 22,500lb.

Ocean Spray, a co-operativa of the main US growers, has cashed in on the interest aroused by Ms Smith by launching a promotional and advertising campaign to increase awareness of the red berries in the UK market. The group is sponsoring cookery demonstrations and sampling sessions as part of National Cranberry week which ends on Sunday.

Ocean Spray is spending £2m on television and newspaper advertisements in the run-up to Christmas to highlight the versatility of cranberries in an effort to extend their use throughout the year.

Sales of the relatively obscure berry have boomed in recent years in the US following Ocean Spray's marketing drive.

Cranberries have developed from a relatively obscure niche *crop into an industry* with annual sales of $1.3bn. But the fruit is still grown in a traditional way in environmentally sensitive wetlands across the northern US and Canada.

The entire world crop of 4.2m to 4.5m barrels – one barrel equals 100lb – is grown in less than 30,000 acres by only 1,000 growers.

About three-quarters of US cranberry farmers belong to the Ocean Spray co-operative, which has developed a range of juice drinks and other products.

Fresh cranberries are exported to Europe for use in a range of Delia Smith's recipes, but by far the bulk of Ocean Spray'a sales in Britain are in the form of juice. Sales of products such as cranberry and mixed juices as well as craisins – dried, sweetened cranberries – have reached £20m in the UK market.

Ocean Spray is looking to double its overseas sales in the next coupla of years with a large-scale export drive.

Some 8 per cent of the cranberries are harvested dry for sale as fresh or frozen fruit. *This means they are scooped* up from the ground with machines featuring giant combs. These are tested for quality by bouncing them over four-inch barriers to check they are fresh and then they are hand-sorted.

Cranberries are very sensitive to their growing environment and growers must have access to large amounts of unpolluted water. Although the berries are grown in a relatively small area, Ms Irene Sorensen from Ocean Spray says that for every acre of cranberries farmers need four to six acres of supporting land for drainage ditches, reservoirs and buffer zones to protect the crop from encroaching urbanisation *and pollution*.

One of only three fruits native to North America (the others are blueberries and concord grapes), cranberries traditionally grow in wetland bogs. The industry is small and has not attracted big investment from chemicals and pesticide producers so growers have had to concentrate on natural predators such as birds and water snakes to eat aphids which can damage the crops.

In the spring, growers make a sweep with a butterfly net to assess how many insects are on the vines. If there are large numbers present, farmers can flood the bogs with water for several weeks to kill them off.

At the end of the harvest in *November*, the bogs are flooded and allowed to freeze over in winter to protect the vines on which the berries grow. Vines are perennial and last for 150 to 200 years.

Growers must have access to large amounts of unpolluted water.

Fly threatens Queensland fruit exports

By Nikki Tait in Sydney

New Zealand has barred banana imports from an area of northern Queensland because of the appearance of the papaya fruit fly there, and is threatening a more comprehensive ban unless an effective trapping programme can establish that other areas remain pest-free. Two weeks ago Japan halted mango imports from the affected region.

Trade in both cases is small, but any extension could have more serious implications. Exports from Australia to New Zealand of fruit and vegetables totalled over A$60m in 1993-94, although potential "fruit fly host products" accounted for about a third of this.

It is still unclear how or when the fruit fly entered Australia, although it is thought to have come down through the Torres Strait.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne); ■ ALUMINIUM ALLOY ($ per tonne); ■ LEAD ($ per tonne); ■ NICKEL ($ per tonne); ■ TIN ($ per tonne); ■ ZINC, special high grade ($ per tonne); ■ COPPER, grade A ($ per tonne)

[illegible]	[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.); ■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.); ■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.); ■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel); ■ CRUDE OIL IPE ($/barrel); ■ HEATING OIL NYMEX (42,000 US galls; c/US galls); ■ GAS OIL IPE ($/tonne); ■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu); ■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne); ■ WHEAT CBT (5,000bu min; cents/60lb bushel); ■ MAIZE CBT (5,000 bu min; cents/56lb bushel); ■ BARLEY LCE (£ per tonne); ■ SOYABEANS CBT (5,000bu min; cents/60lb bushel); ■ SOYABEAN OIL CBT (60,000lbs; cents/lb); ■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	175.0	-	-	-	-	5
Mar	270.0	-	-	-	-	-
Apr	289.5	+1.5	290.5	288.0	28	1,135
May	335.0	+0.5	-	-	-	6
Jun	325.0	-	-	-	-	-
Total					28	1,141

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1745	+70	1745	1704	74	549
Dec	1740	+45	1745	1720	139	352
Jan	1735	+30	1740	1710	148	1,184
Apr	1695	+40	1715	1675	70	1,192
Jul	1498	+31	1525	1490	86	416
Oct	1610	+40	1605	1600	21	98
Total					538	3,802

	Close	Prev
BFI	1601	1553

FUTURES DATA

All futures data supplied by CMS.

Wool

The Eastern market indicator in Australia closed at 527 on November 9, just 1 cent lower than a week before. This just about sums up the influence of wool values, sometimes a fraction dearer, sometimes a fraction cheaper, with no significant impact on those following basic commodity costs. More important this week was the return of dull trading conditions, and a spell of softness in the Australian dollar. The *buying movement* which accompanied an upturn in the wool market towards the end of October subsided, and prices in the semi-processed sectors remained intenesely competitive throughout. With deemnd in Western Europe and Japan subdued for economic reasons, and China showing little sign yet of returning as a major buyer of wool internationally, the outlook for wool prices is being assessed as static.

SOFTS

■ COCOA LCE (£/tonne); ■ COCOA CSCE (10 tonnes; $/tonnes); ■ COCOA (ICCO) (SDR's/tonne); ■ COFFEE LCE ($/tonne); ■ COFFEE 'C' CSCE (37,500lbs; cents/lbs); ■ COFFEE (ICO) (US cents/pound); ■ No7 PREMIUM RAW SUGAR LCE (cents/lbs); ■ WHITE SUGAR LCE ($/tonne)

[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						
May	10.36	-0.15	10.61	10.32	1,687	20,858
Jul	10.12	-0.15	10.26	10.11	1,050	13,630
Oct	10.06	-0.13	10.16	10.05	559	14,947
Mar	9.98	-0.12	10.16	9.98	392	9,478
May	9.94	-0.12	9.95	9.98	206	700
Total					11,512	137,848

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	83.78	-0.73	84.05	82.51	6,442	18,657
Mar	83.40	-0.92	83.50	82.32	4,871	19,320
May	83.80	-0.70	83.80	82.80	1,451	6,115
Jul	83.80	-0.86	83.90	82.88	377	6,429
Oct	79.20	-0.63	79.20	77.83	48	1,442
Dec	78.75	-0.32	76.90	75.07	383	6,877
Total					13,375	61,877

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	122.10	-1.20	123.35	121.00	70	324
Jan	123.80	-0.90	124.60	123.45	905	18,409
Mar	126.00	-0.95	126.50	125.80	103	4,496
May	128.25	-0.90	128.75	128.50	55	1,696
Jul	130.25	-0.90	-	-	20	577
Sep	132.25	-0.90	-	132.40	152	716
Total					1,316	26,385

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 9	Nov 8	month ago	year ago
2137.8	2134.6	2089.7	2118.3

■ CRB Futures (Base: 1967=100)

Nov 8	Nov 7	month ago	year ago
243.92	244.34	-	-

■ GSCI Spot (Base: 1970=100)

Nov 8	Nov 7	month ago	year ago
184.41	183.89	180.41	178.92

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	68.150	+1.325	69.175	67.490	4,975	28,835
Feb	68.450	+0.800	68.500	67.375	1,927	17,980
Apr	67.900	+0.550	67.950	67.150	807	11,062
Jun	64.100	+0.425	64.175	63.500	742	4,848
Aug	62.425	+0.300	62.425	62.000	117	2,010
Oct	63.250	+0.300	63.300	62.900	584	1,353
Total					9,174	66,343

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	43.825	+0.650	43.675	42.550	2,931	12,013
Feb	47.325	+0.525	47.400	46.400	1,808	9,247
Apr	47.800	+0.650	47.775	46.675	453	3,684
Jun	53.300	+0.550	53.350	52.750	238	3,648
Jul	53.200	+0.500	53.250	52.750	544	1,827
Aug	52.000	+0.600	52.150	51.600	60	793
Total					6,077	31,065

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	57.600	+0.700	57.850	55.800	1,637	5,109
Mar	57.600	+0.725	57.850	55.725	202	727
May	58.500	+0.525	59.150	57.300	36	329
Jul	59.700	-	59.800	57.925	9	487
Aug	57.100	+0.400	58.000	56.100	16	103
Total					1,900	6,755

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	65	114	18	38
1700	18	61	66	84
1800	3	29	150	149
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2800	138	93	20	108
2900	71	55	54	158
3000	30	-	115	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1600	765	697	-	4
1650	715	650	-	7
1700	665	603	-	10
■ COCOA LCE	Dec	Mar	Dec	Mar
875	62	109	-	16
900	39	89	2	16
925	20	72	9	23
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1560	116	96	-	11
1600	66	59	1	24
1650	16	31	2	47

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.44-5.54z	+0.116
Brent Blend (dated)	$16.86-6.88	+0.150
Brent Blend (Dec)	$16.67-6.69	+0.150
W.T.I. (1pm est)	$17.84-7.86z	+0.120

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$186-188	
Gas Oil	$160-161	+2
Heavy Fuel Oil	$84-86	
Naphtha	$154-155	
Jet fuel	$182-183	+5.5
Diesel	$164-165	+2

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

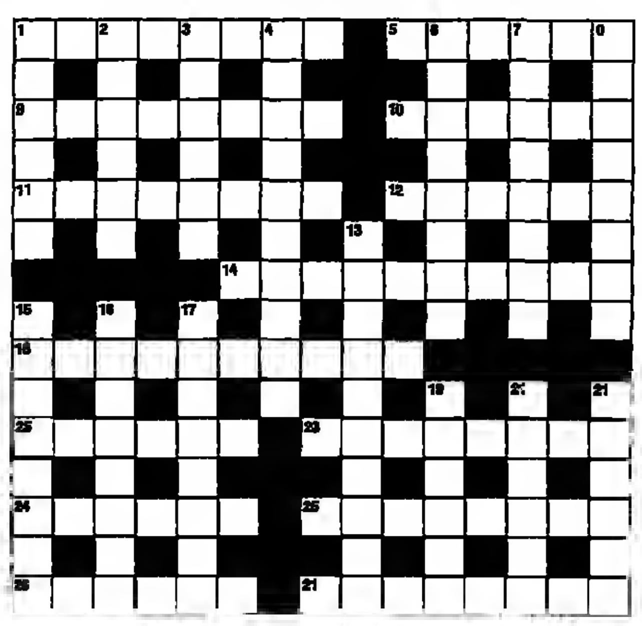
Gold (per troy oz)♣	$385.30	+0.50
Silver (per troy oz)♣	539.0c	+3.0
Platinum (per troy oz.)	$413.50	+0.40
Palladium (per troy oz.)	$134.25	-0.25
Copper	126.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.95m	+0.05
Tin (New York)	303.5c	
Cattle (live weight)†	126.87p	+1.19*
Sheep (live weight)†♦	108.23p	+2.15*
Pigs (live weight)†	100.92p	+2.06*
Lon. day sugar (raw)	$303.6	-3.3
Lon. day sugar (wte)	$391.5	-7.5
Barley (Eng. feed)	£119.5	
Maize (US No3 Yellow)	£105.0w	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	105.5p	+1.5
Rubber (Dec)♥	105.5p	+1.5
Rubber (KL RSS No1)	368.5m	+4.5
Coconut Oil (Phil)§	$785.0u	+10.0
Palm Oil (Malay.)§	$625.0	+5.0
Copra (Phil)§	502.0y	+6.0
Soyabeans (US)	195.0	
Cotton Outlook'A' Index	88.05c	
Wooltops (64s Super)	463p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Nov/Dec. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,915 Set by QUARK



ACROSS

1 Tramp to work hard at length? (8)
5 Anticlimax when duck seen in public pool (6)
9 Fancy chat in Old English? It's rudimentary (8)
10 Cheat? He's one performing in class (6)
11 Officer to give gratuity to the workers (8)
12 Tha hordes potentially include a powerful leader (6)
One not popular with the library – an accountant (4-6)
18 In account churchman is wrong (10)
22 One in Paris in accommodation to show off (6)
23 Hard-hearted AB routed at sea (8)
24 Imagine losing beed to unravel puzzle! (6)
25 Paintar captures English queen (8)
26 Some children choose water a lot (6)
27 Disciple to stick to the New Testament (8)

DOWN

1 Some rocks are like 23 across (6)
2 Live in and keep busy (6)
3 Flat iron (6)
4 Line judge's decision not worthy of consideration? (3,2,5)
6 Unusual advice he gained by effort (8)
7 The appropriate tube for The Garden? (4-4)
8 Hermit's trial disrupted in a kind of sauce (8)
13 Takes in motion to committee; it requires balance when moving (10)
15 Film with side damaged; it could lead to another run (8)
16 Store articles in it (8)
17 It's cheap referring to industry (8)
19 The time, they say, for ice-cream and fruit (6)
20 Cluster about to turn up in army unit (6)
21 Gained knowledge, left and was paid (6)

Solution 8,914

R	E	C	E	S	S	I	O	N		S	P	R	I	G
E		O		A		M		E		P		E		A
B	A	N	A	T		P	E	R	F	O	R	M	E	R
E		S		E		A		V		T		I		R
C	A	T	T	L	E	S	H	O	W		O	T	T	O
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C	H	A	L	I	C	E		S	A	L	I	E	N	T
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N				S		U		T		S		E		
A	P	S	E		U	N	R	E	P	A	I	R	E	D
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N	O	M	A	D		A	N	N	O	Y	A	N	C	E

INTERNATIONAL CAPITAL MARKETS

Treasuries slide on fears of US debt default

By Lisa Bransten in New York and Richard Lapper in London

Prices of longer-term US Treasury bonds fell yesterday morning as traders faced the possibility that the US government could default on its debt obligations.

GOVERNMENT BONDS

In early afternoon trading, the benchmark 30-year Treasury bond was 11/32 lower at 107 31/32 to yield 6.284 per cent. At the short end of the maturity spectrum, the two-year note was unchanged at 100¼, to yield 5.472 per cent.

Sparking the decline were comments from Mr Mike McCurry, a White House spokesman, who said he believed that a default was "increasingly likely".

In a press conference, Treasury secretary Mr Robert Rubin said President Bill Clinton would veto the bill to raise the debt ceiling that Congress is in process of passing. He said the bill would eventually provoke a default.

Yesterday was the first time in several sessions that the market had taken the possibility of default seriously. For much of this week, bonds have rallied on hopes that the political debate about the debt ceiling and the budget package would produce a credible deficit-cutting package.

Congress and the administration were expected to continue with talks aimed at avoiding a default on the $25bn interest payment due next week. Without an increase in the debt ceiling, the Treasury will not be able to raise new money to finance that payment.

Fears of a default fed into currency markets and, along with fears about the growing financial crisis in Mexico, caused the US currency to fall against the yen and the D-Mark. In early trading, the dollar was changing hands for Y100.83 and DM1.4115 compared with Y102.55 and DM1.4208 late on Wednesday.

Treasuries spiked momentarily higher just after the Commerce Department released figures showing wholesale inflation was lower last month than many economists expected. October's producer price index was 0.1 per cent lower, compared with economists' expectations that the PPI would be unchanged.

■ Developments in the US also helped halt the recent advance of European bond markets with profit-taking the theme of the day. "The markets had accelerated in such a fashion that most technical indicators suggested they were overbought," said Mr Ifty Islam, fixed income strategist at Merrill Lynch. The weaker dollar paved the way for German market outperformance, with 10-year yield spreads of UK, French and Italian bonds over the bund all widening out.

■ German 10-year bund futures hit a new contract high at 97.43 before falling back to close marginally higher. Analysts said sentiment towards the German market remains positive, with expectations of a cut in interest rates rising following a string of recent economic data showing an economic slowdown.

■ A cut in short-term interest rates helped buoy the short end of the French yield curve, with the December Pibor contract gaining 0.04 on the day to close at 94.11. The Bank of France reopened the five to 10-day lending window, which had been closed following currency instability last month. A rate of 6.35 per cent compares with the 24-hour emergency rate of 6.60 per cent.

■ New supply from the Bank of England and profit-taking held back the gilts markets which had shown very strong growth ahead of this month's Budget. The Bank took advantage of bullish conditions to issue £250m of 8 per cent Treasury stock 2003, £150m of 2.5 per cent index-linked due 2009 and £100m of 2.5 per cent index-linked due 2016.

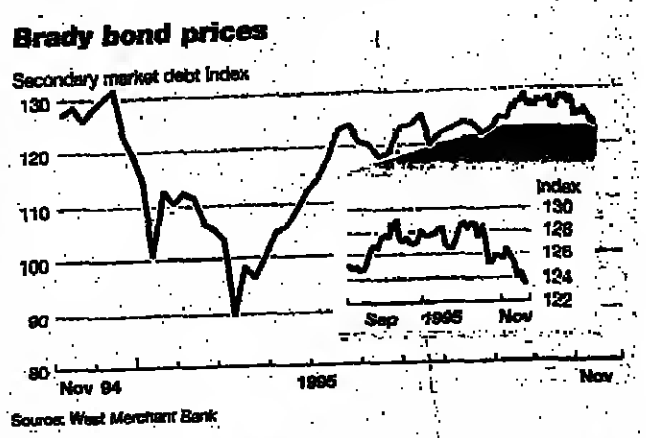
At Liffe the long gilt future lost nearly half a point to close at 107 5/16 and short sterling closed down 0.02 at 93.40. The 10-year yield spread over bunds widened by 8 basis points to close at 166 basis points.

■ Italian bonds also lost ground with the 10-year yield over bunds closing at 540 basis points, 11 basis points higher.

Mexican peso puts Brady bonds under pressure

By Richard Lapper

Uncertainty surrounding the Mexican peso yesterday spilled over into the Brady bond market with prices of bonds issued by a number of emerging market sovereign borrowers falling sharply. By the close in London Brady bond prices had fallen by 0.8 per cent on average. Mexico was one of the worst performers with its bonds falling 1.5 per cent.



Source: West Merchant Bank

"It is by no means a meltdown but yesterday we saw an acceleration of the recent downward drift," Mr Peter West, economic adviser to West Merchant Bank, said. "If you wanted to be pessimistic you could say the market is trying to catch up with what is happening in Mexico."

Before yesterday's tumble Brady and other secondary market debt instruments included in the bank's index had fallen by 1.1 per cent since the end of last week and by 3.7 per cent since mid-September. The fall is still a mere blip compared with the fall in prices that followed the Mexican devaluation last December, but concerns about the political and economic prospects for Mexico, Argentina and especially Brazil have been growing recently.

In a research note this week Deutsche Bank Morgan Grenfell pointed to growing concerns about Brazil's widening fiscal deficit and growing internal debt. The three Latin American countries have issued $104bn in Brady bonds, and account for more than two-thirds of the total of $145bn.

Analysts say one of the main factors holding up the market is the strength of US Treasuries and US zero coupons which provide collateral for Brady issues. The price of the US Treasury component of Mexican par bonds, for example, has risen from 17 cents to 21 cents since August, according to Mr Ingrid Iversen, senior economist at DBMG, helping to prevent a more serious fall in price. The par bond was trading at about 57 cents in London yesterday.

Nevertheless, the market remains vulnerable. There are reports that a number of European banks – which were originally lenders to Latin America in the 1970s and 1980s – are prepared to sell some $1bn of Bradys by the end of this month. Some have been selling call options to protect themselves against any fall in prices, according to bankers.

"If the peso continues down the market will sell off. There is not a good enough counter-balance," said Ms Iversen. "The market has come back since March and funds are sitting on reasonable profits which they are unwilling to risk," she added. DBMG two weeks ago recommended that its clients who invest in Brady bonds convert 15 per cent of their holdings into cash.

"Nobody is willing to dump this stuff massively or go short in a major way but there is a change in mood," Mr West added. "I can't see it showing a strong upward trend until a resumption of economic growth in Mexico and Argentina."

● About £20m is believed to have been committed so far to the Sovereign Debt Trust, a new fund which plans to invest in emerging market debt, notably Brady bonds, writes Antonia Sharpe. The closed-end fund, which will be managed by Baring Asset Management, aims to raise more than £50m.

Grieg Middleton is sponsoring the placing which will be launched on November 23. The offer will close on December 7 and dealings commence December 14.

The fund aims to pass on to shareholders tax benefits available in the UK and the Irish tax regimes. It will be registered in Dublin where it will pay no tax on revenue and capital gains. In addition, shareholders can elect to receive their gross dividends in cash or in the form of scrip dividends, whichever is more attractive for tax planning purposes.

The fund aims to pay a dividend yield of 11.5 per cent a year, paid quarterly, and a gross redemption yield of about 14 per cent a year. It expects to achieve the high yield without eroding capital, as most emerging market bonds trade at a deep discount to par and the discount is expected to narrow over time. The fund will have a life of 10 years and there is a minimum subscription of $10,000 or £6,000.

Saturation point neared with $500m issue

By Antonia Sharpe

The eurobond market groaned under the weight of callable paper yesterday as Federal Home Loan Banks raised $500m through an offering of five-year bonds which are callable after one year.

INTERNATIONAL BONDS

The offering, via Lehman Brothers and Salomon Brothers, was priced to yield 81 basis points over the 5⅞ per cent US treasury due 2000. Lehman said Asian and European investors were attracted by the triple-A rating of the borrower, the global format and the bid out of the US for this type of paper.

The pricing on yesterday's transaction was seen to be fair, but perhaps not generous enough in the light of the $2bn supply of callable paper over the last month, syndicate managers said. It also came just one day after a $500m offering of three-year global bonds, callable after one year, by Federal Home Loan Mortgage Corporation.

Syndicate managers said there were good reasons for buying callable paper at this stage in the market, such as picking up extra yield, but they noted that demand from eurobond investors for these instruments had always been patchy.

"This deal has brought the market close to saturation point," one dealer said.

The day's other deal which aroused some discussion was the DM1bn six-year offering for Helaba. Dealers said the deal was pitched at the right area of the German yield curve but that the spread was too aggressive. The bonds were priced to yield 10 basis points over the 8¾ per cent bund due 2001, but dealers said the spread had widened out to 13 basis points by the late afternoon.

By contrast, the $100m three-year transaction for Sara Lee, priced to yield 22 basis points over three-year treasuries, sold quickly, mainly into Switzerland where the borrower has a good following. Sara Lee's smooth launch, following a successful deal for Unilever, shows how "name-specific" the market had become in the run-up to the end of the year.

Compagnie Bancaire raised FFr3bn through a three-tranche deal backed by receivables from its Aurore credit card accounts. Joint lead manager Paribas said it was the first credit card securitisation for the borrower which had a total of FFr15bn in credit card receivables.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Home Loan Banks(a)	500	6.554	100.00R	Nov.2000	0.25R	+81(5⅞%-00)	Lehman/Salomon Brothers
Sara Lee Corp.	100	6.00	100.32R	Nov.1998	0.20R	+22(5⅞%-98)	Goldman Sachs International
D-MARKS							
Helaba Intl.Finance Dublin	1bn	5.75	99.892R	Nov.2001	0.275R	+10(8¾%-01)	Bq.Paribas/Morgan Stanley
YEN							
Republic of Argentina(b)	40bn	5.00	100.00R	Mar.1999	0.875R	-	Nomura International
Asfinag(b)‡	35bn	3.20	100.00	Nov.2010	0.40	-	Nomura International
FRENCH FRANCS							
Cetelem FCC-EOS1, Trch.A1(c)	1.2bn	6.30#	99.78R	Nov.1999	0.225R	+28(6%-99)	Banque Paribas/Citibank
Cetelem FCC-EOS1, Trch.A2(c)	1.6125bn	6.50#	99.88R	Nov.2000	0.25R	+30(6¾%-00)	Banque Paribas/Citibank
Cetelem FCC-EOS1, Trch.B(c)	187.5	6.80#	99.82R	Nov.2000	undisd.	+52(6¾%-00)	Banque Paribas/Citibank
LUXEMBOURG FRANCS							
Banque Paribas Luxembourg	2bn	7.00	100.00	Dec.2005	1.75	-	Banque Paribas Luxembourg
ECUS							
European Community(d)	100	6.00	97.09R	Nov.2000	0.225R	+29(6¾%-00)	Société Générale

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on coupon dates from 20/11/96 at par. b) Short 1st & last coupons. c) Securitised by credit card receivables originated by Compagnie Bancaire. d) Fungible with Ecu1bn. Plus 24 days accrued. ‡) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.7300	-	8.82	8.59	8.52
Austria		6.875	06/05	100.5000	+0.480	6.79	6.87	6.88
Belgium		6.500	03/05	97.7000	+0.040	6.82	6.90	7.10
Canada *		8.750	12/05	107.8300	-0.210	7.62	7.58	7.86
Denmark		7.000	12/04	95.8200	-0.160	7.66	7.72	7.86
France	BTAN	7.750	04/00	105.2300	-0.250	6.33	6.47	6.76
	OAT	7.750	10/05	104.9700	-0.370	7.12	7.47	7.45
Germany Bund		6.500	10/05	100.9900	-0.060	6.37	6.41	6.57
Ireland		8.250	10/04	99.7500	-0.150	7.89	7.84	8.22
Italy		10.500	09/05	95.1200	-0.060	11.33†	11.43	11.66
Japan	No 129	6.400	03/00	120.2340	+0.331	1.45	1.59	1.53
	No 174	4.600	09/04	113.2810	+0.077	2.74	2.99	2.82
Netherlands		7.000	06/05	104.3300	+0.150	6.37	6.45	6.62
Portugal		11.875	02/05	104.7700	+0.270	11.01	11.18	11.18
Spain		10.150	01/06	94.8700	-	10.15	10.84	10.86
Sweden		6.000	02/05	80.7640	-0.260	9.17	9.09	9.41
UK Gilts		8.000	12/00	103-06	-5/32	7.23	7.31	7.49
		8.500	12/05	104-17	-14/32	7.84	7.85	8.04
		9.000	10/08	108-06	-17/32	7.87	7.98	8.18
US Treasury *		6.500	08/05	104-02	-	5.94	5.93	6.11
		6.875	08/25	107-31	-3/32	6.28	6.27	6.45
ECU (French Govt)		7.500	04/05	100.0300	+0.030	7.49	7.64	7.73

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.56	Two year	5.51
Prime rate	8¾	Two month	5.56	Three year	5.59
Broker loan rate	7½	Three month	5.55	Five year	5.71
Fed.funds	5¾	Six month	5.51	10-year	5.95
Fed.funds at intervention	-	One year	5.43	30-year	6.28

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	118.34	118.10	-0.14	118.48	118.04	172,507	113,534
Mar	117.62	117.32	-0.16	117.70	117.30	2,958	11,906
Jun	117.78	117.50	-0.14	117.78	117.60	394	2,475

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
114	-	-	-	0.03	0.44	-
115	-	2.90	-	0.05	0.60	0.92
116	2.22	-	-	0.11	0.88	-
117	1.35	1.59	2.15	0.23	1.24	1.62
118	0.65	1.10	-	0.51	1.71	-

Est. vol. total, Calls 27,491 Puts 20,001. Previous day's open int., Calls 146,645 Puts 152,820.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.36	97.29	+0.02	97.43	97.10	152538	204036
Mar	96.75	96.69	+0.02	96.80	96.56	5118	9946

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9700	0.53	0.51	0.75	0.93	0.24	0.82	1.06	1.24
9750	0.26	0.32	0.55	0.72	0.47	1.13	1.36	1.53
9800	0.10	0.18	0.39	0.54	0.81	1.50	1.70	1.85

Est. vol. total, Calls 24471 Puts 17513. Previous day's open int., Calls 183271 Puts 166326

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.80	102.86	-0.86	103.80	102.56	50089	46065
Mar	103.20	102.46	-0.85	103.20	102.50	256	2031

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10250	0.87	2.06	0.51	2.10
10300	0.60	1.83	0.74	2.37
10350	0.40	1.61	1.04	2.85

Est. vol. total, Calls 3249 Puts 2855. Previous day's open int., Calls 49554 Puts 48631

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Nov 8)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.62	90.10	-	90.18	89.62	63,997	33,684
Mar	-	89.90	-	-	-	1,021	763

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108-03	107-10	-0-14	108-03	107-13	62209	111901
Mar	107-07	106-31	-0-13	107-07	106-28	222	3066

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
107	0-61	1-02	1-31	1-46	0-23	1-04	1-33	1-48
108	0-26	0-39	1-03	1-16	0-52	1-41	2-05	2-18
109	0-08	0-20	0-45	0-56	1-34	2-22	2-47	2-58

Est. vol. total, Calls 5051 Puts 2969. Previous day's open int., Calls 33884 Puts 30513

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.38	88.30	+0.02	88.44	88.24	2,612	9,487

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	118-05	117-21	-0-18	118-14	117-12	221,685	404,498
Mar	117-26	117-12	-0-15	118-01	117-02	1,900	33,633
Jun	117-11	116-22	-0-22	117-18	116-10	166	9,405

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.70	-	-	121.95	121.70	2962	0
Mar	120.47	-	-	120.60	120.40	669	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Nov 9	Day's change %	Wed Nov 8	Accrued interest	xd adj. ytd		Low coupon yield Nov 9	Low coupon yield Nov 8	Low coupon yield Yr. ago	Medium coupon yield Nov 9	Medium coupon yield Nov 8	Medium coupon yield Yr. ago	High coupon yield Nov 9	High coupon yield Nov 8	High coupon yield Yr. ago
1 Up to 5 years (22)	122.01	+0.02	121.98	1.66	9.72	5 yrs	7.31	7.29	8.54	7.32	7.31	8.60	7.41	7.38	8.75
2 5-15 years (21)	146.05	-0.25	146.41	0.96	11.73	15 yrs	7.97	7.91	8.51	8.02	7.96	8.63	8.10	8.02	8.87
3 Over 15 years (9)	162.36	-0.57	163.29	1.64	12.13	20 yrs	8.03	7.97	8.47	8.07	8.00	8.63	8.13	8.05	8.78
4 Irredeemables (6)	184.19	-0.93	185.91	0.38	13.47	Irred.†	8.14	8.08	8.53						
5 All stocks (58)	141.77	-0.23	142.10	1.34	11.18										

Index-linked	Thu Nov 9	Day's change %	Wed Nov 8	Accrued interest	xd adj. ytd		Inflation 5% Nov 9	Inflation 5% Nov 8	Inflation 5% Yr. ago	Inflation 10% Nov 9	Inflation 10% Nov 8	Inflation 10% Yr. ago
6 Up to 5 years (1)	194.54	+0.01	194.51	0.34	8.37	Up to 5 yrs	3.06	3.05	4.08	1.97	1.96	2.96
7 Over 5 years (11)	187.50	-0.24	187.96	0.99	4.46	Over 5 yrs	3.62	3.60	3.87	3.43	3.41	3.68
8 All stocks (12)	187.53	-0.24	187.97	0.98	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 9	Nov 8	Nov 7	Nov 6	Nov 3	Yr ago	High*	Low*
Govt. Secs. (UK)	94.14	94.44	94.06	94.05	93.84	81.45	95.51	90.22
Fixed Interest	112.95	112.75	112.58	112.41	112.56	107.94	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 8	Nov 7	Nov 6	Nov 3	Nov 2
Gilt Edged bargains	79.0	79.3	72.8	95.4	81.2
5-day average	83.5	85.0	86.8	90.6	87.6

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.81	6.47	101⅜	-	105⅞	101⅜
15¼pc 1996‡‡		14.64	6.41	104⅛	-	109⅝	104⅛
Exch 13¼pc 1996‡‡		12.81	6.37	103⅜xd	-1/32	107¼	103⅜
Conversion 10pc 1996		9.68	6.33	103⅛xd	+1/32	104⅝	103⅛
Treas 13¼pc 1997‡‡		12.30	6.38	107¾	-	109⅝	107⅝
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅛	99¼	+⅛	5.74
Abbey Natl Treasury 6½ 00	1000	100	100¼		6.49
ABN Amro Bank 7¼ 05	1000	104⅜	105⅛		6.73
Sweden 8 97	2500	105⅝	105¾		4.44
United Kingdom 7¼ 97	5500	105¼	105⅜		4.29
Volkswagen Intl Fin 7 03	1000	102½	103¼	+⅛	6.58
World Bank 0 15	2000	26⅝	27⅛	+⅛	6.78
Abbey Natl Treasury 8 03 £	1000	99	99⅛	-⅛	8.7
Alliance Leics 11⅞ 97 £	100	103	103⅛		6.5
British Land 8⅞ 23 £	150	92⅞	93⅛	-⅛	9.4
Denmark 6¾ 98 £	800	98⅞	99⅛	-⅛	7.9
[illegible]					

CURRENCIES AND MONEY

MARKETS REPORT

Dollar under pressure as peso troubles deepen

By Philip Gawith

The dollar fell quite sharply in New York trading yesterday as worries about the financial stability of Mexico resurfaced, allied to evidence of renewed D-Mark and yen strength.

Earlier, markets had continued in the fairly narrow range that has characterised recent trading sessions, but this was more a reflection of different factors offsetting each other than an absence of news.

The dollar closed in London at DM1.4161 from DM1.4166. Against the yen it finished at Y101.6 from Y102.325. In early afternoon US trading, however, it fell as low as DM1.4090 and Y100.55 before recovering slightly.

Part of the dollar's problems flowed from the continued slide in the peso, which finished in London at 8.1 pesos, from 7.605 pesos, against the dollar. Traders said the further fall was because exporters had said they were not proceeding with a plan to set up a $5bn trust fund with the central bank to defend the peso. There were also rumours of an impending policy change, possibly involving the central bank suspending peso trading.

Elsewhere the Bank of France capitalised on the market's positive response to the cabinet reshuffle earlier this week by effectively lowering its ceiling interest rate to 6.35 per cent from 6.6 per cent. The Bank reopened its 5-10 day lending window at this level. It had been closed on October 6 at 6.15 per cent, and was replaced with a 24 hour rate, which was reduced last week to 6.6 per cent from 7 per cent.

Sterling had an uneventful day, closing at DM2.2353, from DM2.2385, and at $1.5785 from $1.5802.

In Europe the D-Mark was generally firmer, with comments from the Mr Otmar Issing, the Bundesbank's chief economist, placing a slight dampener on hopes for an early cut in interest rates. Against the French franc it closed at FFr3.449, from FFr3.446.

■ Markets appeared to be in an uneasy equilibrium – a swings and roundabout situation, in the words of one analyst – until the peso took the dollar decisively lower in New York. The reports of earlier dollar weakness were attributed to a lightening of long dollar positions by hedge funds, with Japanese corporates also taking out some hedging positions.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said that within Europe, an opposing force was at work with investors searching for yield outside of the core currencies. This put the D-Mark under pressure, something that was exacerbated by the perception that interest rates were likely to move lower, as indicated by the rally earlier in the week in the Euromark contracts.

Mr Issing put a mild dent in this thesis when he said that a further cut in the discount rate should not be taken for granted. His re-iteration of the view that statutory safeguards would be needed after EMU to curb deficits was also well received, prompting a slight rally in the D-Mark. This was on account of the fact that it left some investors feeling the D-Mark might not suffer as much from EMU as had been previously thought.

Mr Persaud said investors were rebuilding their underweight positions in the French bond market, although he said the policy dilemma between a strong franc and economic growth remained unresolved.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said traders were unsure which way to trade at the moment given the finely balanced state of the markets. He said that the possibility of a budget default in the US increased as time went by, though he remained of the view that it was unlikely.

Mr Dave Munro, chief US economist at High Frequency Economics in New York, took a phlegmatic view of the outlook, telling clients: "Carry on as before. The fiscal follies will not do any real market damage, and there will be a buying opportunity if they do."

The impact of the rout in the peso appears more immediate. Although it has yet to send investors rushing into safe haven currencies like the D-Mark and Swiss franc, as they did in the first quarter, this remains a possibility. Mr Hawkins adds: "It is difficult to see the peso continuing to fall without some sort of knock-on effect on the dollar."

■ The Bank of England cleared a £1.2bn shortage in its daily operations.

Euro D-Mark

March'96 Future contract, bid price

Source: FT Extel

■ **Pound in New York**

Nov 9	Latest	Prev. close
£ spot	1.5800	1.5790
1 mth	1.5788	1.5778
3 mth	1.5769	1.5760
1 yr	1.5680	1.5650

■ **OTHER CURRENCIES**

Nov 9	£	$
Czech Rp	41.4808 - 41.5030	26.2670 - 26.2970
Hungary	209.164 - 209.375	132.550 - 132.600
Iran	4737.00 - 4734.00	3000.00 - 3000.00
Kuwait	0.4736 - 0.4740	0.3001 - 0.3002
Poland	3.8929 - 3.9001	2.4670 - 2.4700
Russia	7130.77 - 7129.40	4518.00 - 4518.00
U.A.E.	5.7958 - 5.8000	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Nov 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7266	-0.0235	172 - 360	15.8263	15.7157	15.6962	2.3	15.6378	2.3	-	-	108.9
Belgium	(BFr)	45.9819	-0.0837	366 - 279	46.2400	45.8640	45.6888	2.5	45.6968	2.8	44.9618	2.2	109.6
Denmark	(DKr)	8.6770	+0.0001	719 - 821	8.7202	8.6674	8.6693	1.1	8.6528	1.1	8.5903	1.0	109.8
Finland	(FM)	6.7165	-0.0079	104 - 226	6.7520	6.7100	6.7121	0.8	6.704	0.7	-	-	88.0
France	(FFr)	7.7069	-0.0039	049 - 129	7.7472	7.6975	7.7055	0.5	7.7178	-0.5	7.7145	-0.1	110.5
Germany	(DM)	2.2353	-0.0032	340 - 365	2.2507	2.2317	2.2305	2.4	2.2208	2.4	2.1795	2.5	112.1
Greece	(Dr)	369.290	-0.697	021 - 538	371.957	366.808	-	-	-	-	-	-	87.0
Ireland	(I£)	0.9700	+0.0009	771 - 789	0.9790	0.9766	0.9772	1.0	0.9759	0.8	0.9727	0.5	97.4
Italy	(L)	2517.71	+4.56	390 - 045	2522.30	2510.12	2524.46	-3.5	2538.86	-3.5	2609.01	-3.6	69.9
Luxembourg	(LFr)	45.9819	-0.0337	356 - 279	46.2400	45.8640	45.6888	2.5	45.6968	2.5	44.9618	2.2	108.5
Netherlands	(Fl)	2.5037	-0.0027	022 - 051	2.5250	2.5000	2.498	2.7	2.4888	2.7	2.4411	2.5	109.8
Norway	(NKr)	9.8593	-0.0075	588 - 648	9.8895	9.8205	9.8489	1.5	9.825	1.4	9.7495	1.1	98.8
Portugal	(Es)	234.984	-0.229	791 - 178	236.140	233.945	235.524	-2.6	236.744	-3.0	-	-	95.3
Spain	(Pta)	192.782	-0.074	627 - 936	193.877	192.615	193.282	-3.1	194.222	-3.0	195.822	-3.0	81.2
Sweden	(SKr)	10.5199	-0.0036	076 - 321	10.5843	10.5070	10.5191	-0.3	10.5236	-0.3	10.547	-0.3	85.8
Switzerland	(SFr)	1.8024	-0.0014	013 - 035	1.8145	1.8000	1.7953	4.7	1.7834	4.2	1.7305	4.0	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.1
Ecu	-	1.2194	-	185 - 202	1.2233	1.2164	1.2194	1.0	1.2184	1.0	1.2079	0.9	-
SDR†	-	1.05802	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5783	-0.0017	777 - 788	1.5795	1.5764	-	-	-	-	-	-	-
Brazil	(R$)	1.5172	-0.0019	166 - 177	1.5183	1.5158	-	-	-	-	-	-	-
Canada	(C$)	2.1397	-0.0034	382 - 411	2.1420	2.1349	2.1406	-0.8	2.1426	-0.6	2.1486	-0.3	94.3
Mexico	(New Peso)	12.7858	+0.7655	550 - 166	13.0152	12.3206	-	-	-	-	-	-	-
USA	($)	1.5785	-0.0017	780 - 790	1.5797	1.5770	1.5774	0.8	1.5758	0.7	1.5649	0.9	83.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1425	+0.0351	411 - 438	2.1445	2.1403	2.1438	-0.7	2.1487	-0.8	2.1814	-0.8	94.4
Hong Kong	(HK$)	12.2087	-0.0119	044 - 129	12.2163	12.1975	12.2052	0.3	12.1928	0.5	12.1592	0.4	-
India	(Rs)	54.4652	+0.2959	004 - 229	54.7440	54.2380	-	-	-	-	-	-	-
Israel	(Shk)	4.7511	-0.0143	458 - 564	4.7723	4.7458	-	-	-	-	-	-	-
Japan	(Y)	160.376	-1.319	246 - 505	162.080	159.890	159.516	6.4	157.721	6.6	150.876	6.0	141.4
Malaysia	(M$)	4.0015	-0.0038	994 - 035	4.0075	3.9978	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4238	+0.0067	221 - 255	2.4256	2.4214	2.4267	-2.9	2.438	-2.5	2.4648	-1.7	100.6
Philippines	(Peso)	41.2226	-0.0687	700 - 751	41.2758	41.1874	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9200	-0.0063	181 - 224	5.9245	5.9148	-	-	-	-	-	-	-
Singapore	(S$)	2.2304	-0.0004	289 - 318	2.2355	2.2266	-	-	-	-	-	-	-
South Africa	(R)	5.7425	-0.0047	395 - 455	5.7508	5.7367	-	-	-	-	-	-	-
South Korea	(Won)	1214.30	-2.57	396 - 504	1216.83	1213.50	-	-	-	-	-	-	-
Taiwan	(T$)	42.9534	-0.0088	374 - 693	42.9915	42.8952	-	-	-	-	-	-	-
Thailand	(Bt)	39.7230	-0.0349	867 - 592	39.8370	39.6650	-	-	-	-	-	-	-

† Rates for Nov 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9630	-0.0042	602 - 658	10.0325	9.9600	9.9479	1.8	9.9177	1.8	9.8085	1.6	106.9
Belgium	(BFr)	29.1800	+0.01	100 - 500	29.3050	29.0350	29.089	1.7	29.01	1.9	28.71	1.4	106.9
Denmark	(DKr)	5.4970	+0.006	955 - 985	5.5300	5.4895	5.4977	-0.2	5.4935	0.3	5.503	-0.1	109.1
Finland	(FM)	4.2550	-0.0004	525 - 575	4.2798	4.2502	4.2548	0.1	4.2535	0.1	4.249	0.1	87.3
France	(FFr)	4.8837	+0.0028	827 - 847	4.9095	4.8734	4.885	-0.3	4.8875	-0.3	4.9	-0.3	110.2
Germany	(DM)	1.4161	-0.0005	157 - 164	1.4269	1.4137	1.4141	1.7	1.4099	1.7	1.3943	1.5	111.2
Greece	(Dr)	233.310	-0.19	220 - 400	235.580	232.290	235.035	-8.9	238.235	-8.4	251.71	-7.9	66.4
Ireland	(I£)	1.6141	-0.0032	131 - 150	1.6175	1.6120	1.6145	-0.1	1.6144	-0.1	1.6209	-0.4	-
Italy	(L)	1595.00	+4.6	440 - 560	1598.62	1589.68	1601.75	-5.1	1613.8	-4.7	1671	-4.8	69.9
Luxembourg	(LFr)	29.1300	+0.01	100 - 500	29.3050	29.0350	29.089	1.7	29.01	1.8	28.71	1.4	108.9
Netherlands	(Fl)	1.5861	-	857 - 865	1.5992	1.5830	1.5835	2.0	1.5784	2.0	1.5584	1.7	108.7
Norway	(NKr)	6.2460	+0.002	445 - 475	6.2735	6.2200	6.2423	0.7	6.236	0.6	6.228	0.3	97.8
Portugal	(Es)	148.865	+0.015	790 - 940	149.650	147.780	149.33	-3.7	150.34	-4.0	154.865	-4.1	95.3
Spain	(Pta)	122.130	+0.085	070 - 190	122.720	121.930	122.51	-3.7	123.28	-3.8	126.775	-3.6	80.6
Sweden	(SKr)	6.6628	-0.008	588 - 668	6.6875	6.6578	6.6801	-3.1	6.7166	-3.2	6.8851	-3.3	85.2
Switzerland	(SFr)	1.1419	+0.0004	415 - 422	1.1503	1.1395	1.1383	3.8	1.1322	3.4	1.1044	3.3	115.6
UK	(£)	1.5785	-0.0017	780 - 790	1.5797	1.5770	1.5774	0.8	1.5758	0.7	1.5649	0.9	83.9
Ecu	-	1.2945	-0.0015	940 - 950	1.2980	1.2898	1.2949	-0.4	1.2956	-0.3	1.2979	-0.3	-
SDR†	-	0.68908	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9612	-0.0001	611 - 612	0.9615	0.9610	-	-	-	-	-	-	-
Canada	(C$)	1.3556	-0.0007	550 - 560	1.3585	1.3528	1.3571	-1.5	1.3602	-1.4	1.3725	-1.3	83.2
Mexico	(New Peso)	8.1000	+0.495	500 - 500	8.2500	7.8100	8.1022	-0.3	8.1054	-0.3	8.1103	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3572	+0.0237	569 - 578	1.3582	1.3563	1.359	-1.8	1.3626	-1.6	1.3823	-1.8	87.0
Hong Kong	(HK$)	7.7344	+0.0009	341 - 348	7.7347	7.7340	7.7358	-0.2	7.7379	-0.2	7.7581	-0.3	-
India	(Rs)	34.5050	+0.205	800 - 300	34.6750	34.4500	34.655	-5.2	34.96	-5.3	36.43	-5.8	-
Israel	(Shk)	3.0099	-0.0058	075 - 123	3.0221	3.0074	-	-	-	-	-	-	-
Japan	(Y)	101.600	-0.725	550 - 650	102.600	101.250	101.105	5.8	100.186	5.6	96.31	5.2	140.4
Malaysia	(M$)	2.5350	+0.0005	345 - 355	2.5381	2.5335	2.535	0.0	2.5354	-0.1	2.543	-0.3	-
New Zealand	(NZ$)	1.5354	+0.0059	349 - 361	1.5361	1.5346	1.5395	-3.2	1.547	-3.0	1.5717	-2.4	-
Philippines	(Peso)	26.1150	-0.035	900 - 400	26.1400	26.0800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7502	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4130	-0.001	125 - 135	1.4155	1.4120	1.4098	2.9	1.4033	2.8	1.3785	2.4	-
South Africa	(R)	3.6380	+0.001	372 - 387	3.6420	3.6370	3.6633	-8.3	3.7133	-8.3	3.9445	-8.4	-
South Korea	(Won)	769.400	-0.8	300 - 500	770.100	769.300	772.4	-4.7	775.9	-3.4	794.4	-3.2	-
Taiwan	(T$)	27.2115	-0.008	100 - 130	27.2140	27.1610	27.2315	-0.9	27.2715	-0.9	-	-	-
Thailand	(Bt)	25.1650	+0.005	500 - 800	25.1800	25.1500	25.2525	-4.2	24.9	4.2	26.12	-3.8	-

† SDR rate per $ for Nov 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 8. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

[illegible]

■ $ LIBOR FT London Interbank Fixing

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Prf.		58½	—	86	50¼	8.31	18.9	-
Cater Allen	♣v	472	—	525	416	153.9	7.7	7.1
Close Bros	♣qv□	322	—	*340½	£16¼	390.7	3.4	φ
Gerrard & Nat.	♣v	462	+5	480	395	225.5	6.2	14.7
Hambros	v□	193	-2	253	185	341.8	4.0	48.6
7½pc Cv Pf		98½	-½	112	94	126.9	9.5	—
Joseph (L)	♣v	460	—	463	353	24.4	4.8	25.7
King & Shaxson	♣v□	114	—	146	85	29.3	0.9	8.8
Rea Brothers	♣v	45	—	67	44	£1.8	2.8	18.8
Schroders	♣†v□	1330	-5	*1478	806¼	2,088	1.3	18.9
N-V	†v	1180	-5	*1180	823¼	494.0	1.8	15.7
Singer & Fried	♣†v□	108	+1	110	81	212.4	4.3	11.2
5½pc Cv Ln 09/14		£131½	+1	£131½	£100	40.3	6.5	-
Union	♣v□	113	+1	121	70	35.1	3.3	-
Wintrust	♣v	285	—	298	200	25.4	4.8	16.9

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£27¾	+⅜	£27½	£21¾	8,419	4.9	10.3
ANZ A$	†	275	-1	280	198	3,821	4.8	8.5
Abbey National	♣†v□	568	+2	577½	413	7,392	4.3	11.2
Allied Irish I£	♣†□	335	+4	336	250	2,233	4.3	9.7
Anglo Irish I£	□	80	—	85	46	220.2	8.9	12.9
Asahi Y	□	854¼	+20¼	857¼	605¼	15,281	9.7	—
Banco Bil Viz Pta	□	£19⅝	+⅞	£20½	£14⅞	4,512	4.1	6.9
Banco Sant Pta		£27⅝	+⅛	£27⅝	£22⅛	4,415	4.7	18.2
Bk Ireland I£	v□	435	+4	437	288	2,088	3.7	8.7
Bank Scotland	♣†v□	251	-1	278½	181½	2,995	3.1	11.1
9¾pc Pf		110½	-½	120	108¼	110.8	10.5	-
New 9 1/4pc Pf		110¼	-⅛	118⅛	108¼	116.2	16.5	—
9¾pc Pf		117¼	-½	125¾	112¼	117.2	18.4	—
Barclays	♣†v□	762	-5	778	557½	12,321	3.7	10.4
Dai Ichi Kan Y	□	811⅛	+⅞	215⅛	23½	34,487	0.5	—
Deutsche DM	♣□	£29⅝	+⅛	*£32⅛	£27⅛	13,933	2.5	—
Espirito Santo	□	£7⅛	—	£8½	£6⅛	152.4	11.8	φ
Fuji Bank Y	□	1178½	+15¼	1611	1138¼	34,344	0.4	-
HSBC HK	†v□	905½	-16	947	578	16,072	3.9	11.9
HSBC (75p Shs)	†v□	926	-14½	983	589	7,946	3.8	12.0
Irish Permanent	†□	339	—	339	228	253.5	3.6	7.7
Lloyds	†v□	814	—	820	530	10,670	4.1	12.4
Mitsubishi Y	□	212⅝	+⅛	£16⅝	£12⅛	36,373	0.4	φ
Mits Tst & Bk Y	□	898½	+9	1128¼	726¼	10,778	0.8	14.4
Mitsui Tst & Bk Y	□	841¼	+5	743¾	504¼	8,492	1.8	18.6
Nat Aust A$	†	544	-4	582	479	7,767	6.8	8.7
NatWest	†v□	644	+1	660	454	11,237	4.4	18.8
Ottomane FFr		525	—	530	£21½	125.0	6.5	3.4
Ryl Bk Scotland	♣†□	522	+1	608½	373½	4,217	3.4	12.8
Sakura Y	□	£8¼	—	£9⅛	£5⅞	20,570	0.8	39.2
Sanwa Y	□	211⅛	+⅜	£14⅜	£10⅜	32,821	0.5	—
Standard Chartd.	†v□	525	-1	533	248	5,002	2.1	13.2
7 3/8pc Prf		88¾	-⅛	86¼	84¾	88.2	18.4	-
Sumitomo Y	□	871¼	+⅜	814⅛	£10⅛	35,349	0.5	-
Sumitomo Tst Y	□	796½	+23½	1002	668	9,910	0.7	79.1
TSB	†□	396	-4	404	217	6,006	3.7	13.7
Tokai Y	□	£8⅛	+⅛	£8⅞	£6⅛	14,057	0.8	φ
Toyo Tst & Bk Y	□	438	+3½	608½	427½	3,442	1.0	φ
Westpac A$		288	-3	289¼	211	4,742	2.2	φ
Yasuda Tst Bk Y	♣□	302½	-5¼	580¼	277¼	3,336	1.4	30.1

BREWERIES

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	♣v□	217	+6	231	143	58.9	-	0.4
Bass	†□	674½	-4½	688	487	5,828	4.0	18.3
Boddington	†v□	423	—	425	239	514.4	2.7	21.8
Burtonwood	♣v	186	—	192	137	38.7	3.6	17.3
Eldridge Pope A	†	172	—	188	137	35.5	3.1	20.9
Fosters A$		81	—	82	51	1,863	4.8	φ
Fuller STA	♣v	410	—	438	335	88.6	2.8	17.8
Gibbs Mew	♣v	210	—	460	293	43.1	3.8	18.9
Greenalls	♣†□	506	—	527	402	1,061	3.3	14.0
Greene King	♣v	603	-3	656	458	268.4	2.8	16.9
Grosvenor Inns	♣v	246	—	246	140	34.4	2.7	20.2
Holt (J)	†v	3135	-5	3425	3048	87.2	2.2	16.8
Kirin Y	□	662½	+7	770½	621	6,972	0.9	25.3
Mansfield	♣v	320	—	347	219	211.9	2.0	17.3

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¾		£34	£29	2,109	2.6	♦
Barlow	♣	£8⅝	+⅛	£8⅝	£4⅞	1,723	1.1	31.5
Gold Flds Prop R		180xa		152	118	18.3	7.0	6.8
MK Props		98		98	65	3.46	13.6	-
SASOL	♥	590	-10	638	435	3,193	2.8	-
SA Brews		£21¼	+⅛	£21⅞	£12⅞	6,063	1.6	20.1
Standard Bank	□	£27¼	+⅜	£27⅜	£20⅛	3,282	1.7	19.1
Tiger Oats		1020	-5	1067	700	1,534	1.5	24.5
Tongaat-Hulett	†h	862	+10	882	636	883.8	1.8	25.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend Covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on 41 approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-00
 Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

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Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2700
Jupiter Tyndall World Umbrella Fund Ltd

Eurobond	$15.71	16.50	+0.17	2.70

Newport Investment Management
73 Front street, Hamilton, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 240, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 265, St Peter Port, Guernsey 01481 710881

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkts Liquid Inv Plcn. | $14.31 | 14.80

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

Managed Currency	$11.35	11.39	-0.02	4.26

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Fully Paid Oct 31	$11.03		—	–
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$15.49	16.25	—	–
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Oct 31	$70.80		—	–
Xiphias International Investment Fd Ltd				
Zanett Lombardier Ltd				
NAV Oct 1	$115.75		—	–
Zweig-DiMenna International Limited				
NAV Oct 31	$131.48		—	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(*) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price
G - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
◆ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Bid euphoria dampened by downgrade fears

By Steve Thompson, UK Stock Market Editor

The spectre of profits warnings and earnings downgrades reappeared yesterday, upsetting the UK equity market's equilibrium, and delivering a timely warning to an otherwise buoyant market that more shocks could appear on the horizon.

The bad news, in the form of a substantial profits warning from Ladbroke, one of the UK's leading leisure stocks, caused serious damage in the sector. And Ladbroke stock took the dubious honour of being the FT-SE 100 index's worst performer, sliding more than 15 per cent at one point, as the market absorbed the bad news of the impact of the National Lottery on leisure spending.

Nevertheless, the stock market managed to end a busy trading session in the black, with more bid rumours, plus generally reassuring company reports and another good performance by Wall Street, keeping market bulls happy.

Wednesday's rumours that a takeover bid was being prepared for London & Manchester, the life assurer, drove the company's shares sharply higher during the day. The utilities sectors were much more erratic, with some of the rumoured takeover targets in the recs suffering a bout of profit-taking.

Specialists insisted, however, that more bid action could be on the cards, possibly as soon as next week. Pacificorp, which was said to have been involved in potential bids in the recs over the past few months, was rumoured yesterday to be preparing another bid, with East Midland Electricity said to be its new target.

The Footsie settled 4.5 up at 3,541.6, although well below the session's high. The FT-SE Mid 250 index, however, gave ground slightly, slipping 0.8 to 3,908.3, burdened by a heavy fall in Dorling Kindersley, the CD-Rom publisher, in which US group Microsoft said it intends to sell its near 18 per cent stake; and another retreat by David S. Smith, the paper group, after Wednesday's poor results from KNP BT, the Dutch paper manufacturer.

The trading session kicked off with the Footsie up 13 points in response to Wall Street's overnight 55-point surge to another all-time high. With most of the day's important company news causing few concerns, the index improved further, reaching the day's high of 3,553.1 within the first hour.

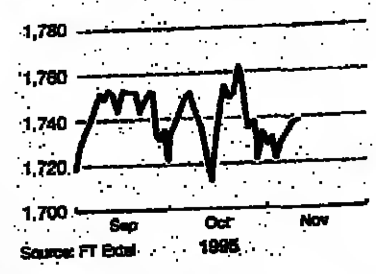
But in another demonstration of the equity market's reluctance to move much above the 3,550 level, the FT-SE 100 ran into pockets of profit-taking, triggered partly by a disappointing showing by international bonds. US Treasuries, easier overnight, came in weaker during European trading hours, upsetting German bunds and UK gilts.

Initial gains in share prices were gradually whittled away as the day wore on, with the Footsie dipping into negative territory in mid-afternoon, before regaining its poise and eventually closing modestly higher on the session.

Wall Street caused few jitters in London, with the Dow Jones Industrial Average up around 15 points shortly after the start of trading.

Turnover in equities at the 6pm count was more than healthy at 853.5m shares. Customer business on Wednesday was worth £1.71bn.

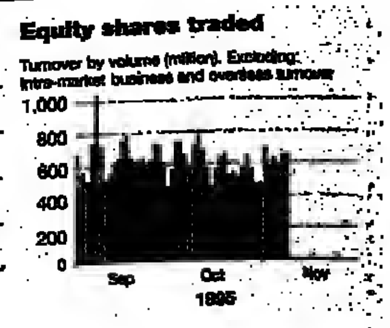
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3541.6	+4.5
FT-SE Mid 250	3908.3	-0.8
FT-SE-A 350	1762.1	+1.6
FT-SE-A All-Share	1739.53	+1.62
FT-SE-A All-Share yield	3.87	(3.87)

FT Ordinary index	2591.0	+4.4
FT-SE-A Non Fins p/e	16.72	(16.67)
FT-SE 100 Fut Dec	3549.0	-9.0
10 yr Gilt yield	7.84	(7.77)
Long gilt/equity yld ratio:	2.08	(2.08)

Best performing sectors

1 Gas Distribution .... +3.2
2 Oil, Integrated .... +1.5
3 Telecommunications .... +1.4
4 Mineral Extraction .... +1.2
5 Utilities .... +1.1

Worst performing sectors

1 Leisure & Hotels .... -2.2
2 Insurance .... -1.0
3 Pharmaceuticals .... -0.8
4 Tobacco .... -0.6
5 Banks, Retail .... -0.6

Ladbroke down on warning

There was no hiding place for Ladbroke as the shares tumbled after the leisure and hotels group came out with a profits warning.

The company said profits would fall below last year's level if trading in its gaming division did not improve materially in the rest of the year. Ladbroke laid the blame for the warning on the National Lottery.

The news sent the shares into retreat and they lost more than 14 per cent of their value as they dropped 22 to 132p, the biggest decline in the Footsie yesterday and a slide that could see the stock relegated from the premier market index. Persistent selling throughout the session had brought volume of 24m shares by the close, the highest daily total for nearly two years.

Dealers said several of the biggest holders of the stock were extremely disappointed by the news and a number were said to be lining up to reduce holdings substantially at the earliest opportunity. Doubts about the current management were also reported among some holders. One market specialist said: "It is not surprising people want to get out of this stock, there is just no end to the bad news."

Analysts moved to downgrade profits expectations. Merrill Lynch, one of the group's two brokers, reduced its current year profits estimate by £27m to £130m, having downgraded from £162m as recently as September.

Mr Andrew Hunter at Hoare Govett cut his forecast by £25m to £126m and said: "Near term upside in this stock hangs on the deregulation of betting and gaming. But there may be disappointment on the amount the government is prepared to give away."

Glaxo tax ruling

Pharmaceuticals leader Glaxo Wellcome fell 18 to 857p, in heavy turnover of 16m shares, after hitting a low of 845p in reaction to a court ruling over tax.

A court ruled in favour of the Inland Revenue over transfer pricing – the method by which multinationals allocate profits to each of the countries in which they operate. The news immediately reawakened concern that Glaxo might be the company cited by the Inland Revenue recently over a £1.5bn-plus charge.

Pharmaceuticals analysts were phlegmatic, however, saying that any hit was likely to be much less than £400m and easily covered by provisions.

However, some were also concerned that the company's high profile research and development presentation, which is to be repeated in the US today, had had so little effect. Ms Jo Walton of Lehman Brothers said: "The big issue for Glaxo continues to be – what will earnings do once it loses the Zantac and Zovirax patents in 1997?"

BT's interim results successfully dispelled the dividend doubts that have been building up around the telecoms giant, and the stock recovered strongly. It advanced 7½ to 371½p, in turnover of 15m shares, to amend partly its recent dire showing against the market.

The six months' profits were in line with market expectations, and BT's comments on the immediate way ahead were cautious. However, the dividend news – growth of 5.7 per cent for the interim payout – created a wave of relief for the stock, which at the end of September stood at a peak of 415¾p.

BT put its total dividend up by 7 per cent two years ago and by 6 per cent in 1994-95. Some analysts had pencilled in an increase of just 5 per cent for this year.

There was no suggestion from BT that the final payment would maintain the 5.7 per cent growth rate, but there was a clear feeling yesterday that the recent dividend pessimism had been overdone.

Oil majors were strong on the back of solid buying of the sector in the US on Wednesday and a firmer oil price.

Shell Transport was further helped by reiterated support from NatWest Securities, and slight support from an agreement in Beijing for the joint study of a 25,000km square deep-water block in the South China Sea. The agreement, signed with China National Offshore Oil, gives Shell exclusive rights to negotiate a petroleum contract in the area. Shell rose 10½ to 741½p.

Royal Insurance fell 15 to 374p on turnover of 4.9m shares after reporting a decline in UK operating profits and a hit from hurricanes in the US and subsidence claims in the UK. Merrill Lynch, a bear of the sector, was said to have done mnch of the damage to the share price, cutting its current year forecast by £60m to £400m to reflect the hurricane and subsidence claims. For next year it maintains a gloomy £318m prediction.

Life insurer London & Manchester appreciated 22 to 413p as bid talk continued to circulate, with Liverpool Victoria said to be interested in making an offer.

GEC was well dealt for the second day running, as a stock overhang was cleared and the latest chapter in the electronics giant's long running management succession story unfolded. The shares gained 3¼ at 319¼p in 10m turnover.

British Aerospace put on 9 at 734p in turnover of 4.8m following the group's claim to be close to finalising a deal with Sandi Arabian Airlines for 10 RJ85 regional jets worth more than £150m.

British Steel eased to 157¼p in spite of a buy note from Credit Lyonnais Laing. The shares are almost a fifth under their 1995 high. The broker said: "Realisation that steel prices will go down next year will create buying opportunities in this underrated and high yielding stock."

Dorling Kindersley experienced volatile trading sparked by the announcement that Microsoft, the US software giant, is to sell its 18 per cent stake in the CD Rom publisher. Initial disappointment that Microsoft would not bid for the company saw the shares hit a low of 475p. Then analysts advised clients that Microsoft never had any intention of making an offer, and the placing, to be carried out by Cazenove and Goldman Sachs next Thursday, would actually make the stock more liquid. Currently, more than half the shares are held by Microsoft and chairman Peter Kindersley. The shares lost 26 at 510p.

The poor sentiment in Ladbroke has "cast a pall over the whole leisure sector," said Mr Bruce Jones at Merrill Lynch, as he tried to explain the retreat seen in Rank Organisation. The shares slipped 19 to 408p. Dealers said a line of around 5m was on offer.

Market turnover was boosted by a heavy placing from Benfield & Rea, the investment trust run by Matthew Harding, the financier involved with the running of Chelsea Football Club.

The new £60m trust, which started trading on the stock market yesterday, pumped £35m of its funds into Lloyd's investment trusts including London Insurance, which saw 11m shares change hands, HCG Lloyds, Angerstein and CLM Insurance. Benfield opened at 101p, a premium to its 100p placing price.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Nov 9	Nov 8	Nov 7	Nov 6	Nov 3	Yr ago	*High	*Low
Ordinary Share	2591.0	2586.6	2576.6	2572.8	2564.9	2384.1	2666.5	2238.3
Ord. div. yield	4.10	4.10	4.12	4.12	4.14	4.34	4.73	4.02
P/E ratio net	15.62	15.61	15.54	15.51	15.43	18.38	21.33	15.35
P/E ratio nil	15.44	15.42	15.36	15.32	15.25	17.93	22.21	15.17

*For 1995. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2598.7	2597.2	2594.4	2593.5	2593.7	2593.0	2593.0	2585.8	2586.3	2598.9	2584.1

	Nov 9	Nov 8	Nov 7	Nov 6	Nov 3	Yr ago
SEAQ bargains	29,461	27,349	28,199	29,533	26,579	24,490
Equity turnover (£m)†	-	1711.5	1908.8	1867.3	1805.8	1139.2
Equity bargains†	-	33,263	33,068	34,978	31,302	29,443
Shares traded (ml)†	-	638.7	638.0	594.7	630.6	521.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	770	Total Highs	140	Total contracts	36,702
Total Falls	604	Total Lows	81	Calls	21,928
Same	1,501			Puts	14,774

Nov. 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3570.0	3549.0	-9.0	3575.0	3528.0	11534	63287
Mar	3586.0	3572.5	-10.0	3587.0	3574.0	571	5539
Jun	-	3579.0	-9.0	-	-	0	134

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3920.0	-	-	-	0	3537

FT-SE 100 INDEX OPTION (LIFFE) (*3539) £10 per full index point

	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P
Nov	189½	1	141½	2	94½	5	52½	13	22½	35	8	74	1	124	1	174
Dec	213½	12½	171	20	131	30½	93½	45½	63	66½	39½	95½	23	132	12½	176
Jan	228	23½	188	33	150½	46	118½	64	90	85½	67	114	46½	146½	32½	185
Feb	248	34½	211½	46	174½	59½	144½	79	114½	100	91	127½	68½	157½	52	193½
Jun†			261½	94			199	128½			145	174½			100	230½

Calls 3,470 Puts 6,367

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P
Nov	165½	1	117	2½	71½	7	35	20	12½	47	3½	88	1	135	1	185
Dec	189	18	146½	23½	108½	35	76½	52½	49	75	28	103½	15	140	7½	182
Jan	211½	31	172½	41	137	55	106	72½	77½	94	54½	120½	37½	153	24½	189
Mar			206½	62½			140½	94½			88	139			51½	200½
Jun†			242½	95			183	131½			132	176½			88	229½

Calls 3,501 Puts 380 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.24	33	32	Do Warrants	32	-½	-	-	-	-
	F.P.	9.49	17	17	†Alpha Omikron	17		-	-	-	-
-	F.P.	2.37	10	6	†Arion Props	10		v-	-	-	-
-	F.P.	60.6	101	101	Benfield & Rea	101		-	-	-	-
-	F.P.	4.50	50	50	†Chartwell Intl	50		v-	-	-	-
-	F.P.	38.4	139	102	†Cross Intl	107	+3	-	-	-	-
60	F.P.	3.85	71	71	†David Glass	71		Rv2.88	2.4	5.1	10.1
145	F.P.	61.2	152	149	Enterprise Inns	151		Wv6.4	-	5.3	10.5
-	F.P.	0.56	28	17	German Sml Wts	17		-	-	-	-
-	F.P.	90.0	95	90	Guinness Flight	90		-	-	-	-
-	F.P.	191.0	195	191	Do Units	191		-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
-	F.P.	5.40	40	25	Hay & Robertson	36		v-	-	-	-
125	F.P.	27.4	153	128	Heritage Bath	153		-	-	-	-
-	F.P.	11.4	119	112	†Indpt Radio	114		v-	-	-	-
-	F.P.	22.0	543	488	†Intl Greetings	523		-	-	-	-
45	F.P.	17.3	61	52	†MultiMedia	60		v-	-	-	-
-	F.P.	14.6	101	98	Northern Venture	100	-1	-	-	-	-
100	F.P.	25.0	102	99	Perpetual UK Smlr	100		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 8	% chg on day	Nov 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1835.05	+1.1	1815.49	2112.83	1.96	-	2112.83	1657.91
Regional Indices								
Africa (16)	2429.02	+4.0	2335.90	3443.13	4.20	21.04	3443.13	2272.74
Australasia (6)	2245.39	+2.1	2198.78	2649.92	2.23	25.05	2733.56	1798.20
North America (12)	1609.72	-0.5	1617.31	1636.17	0.83	46.23	1831.00	1348.16

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Nov 9	Day's chge%	Nov 8	Nov 7	Nov 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3541.6	+0.1	3537.1	3522.4	3514.8	3103.5	4.02	2.06	15.07	126.81	1405.38
FT-SE Mid 250	3908.3	—	3909.1	3893.9	3887.7	3542.9	3.51	1.84	19.35	124.07	1523.33
FT-SE Mid 250 ex Inv Trusts	3929.1	-0.1	3931.5	3914.4	3907.4	3545.2	3.64	1.90	18.07	129.75	1531.47
FT-SE-A 350	1762.1	+0.1	1760.5	1753.3	1749.7	1556.0	3.91	2.02	15.85	61.49	1429.40
FT-SE-A 350 Higher Yield	1759.3	-0.2	1762.5	1753.3	1746.8	1561.5	4.94	1.81	13.99	77.50	1183.92
FT-SE-A 350 Lower Yield	1769.6	+0.4	1762.8	1757.7	1757.1	1510.8	2.84	2.40	18.37	44.18	1198.69
FT-SE SmallCap	1935.66	+0.1	1934.30	1936.26	1937.25	1782.13	3.36	1.66	22.35	55.24	1559.38
FT-SE SmallCap ex Inv Trusts	1920.81	+0.1	1919.62	1921.35	1922.75	1750.96	3.59	1.74	20.06	58.16	1555.67
FT-SE-A ALL-SHARE	1739.53	+0.1	1737.91	1731.45	1728.27	1540.93	3.87	2.00	16.16	59.85	1434.18

FT-SE Actuaries All-Share

	Nov 9	Day's chge%	Nov 8	Nov 7	Nov 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2922.01	+1.2	2886.31	2883.98	2890.51	2701.97	4.01	2.01	15.54	105.02	1224.66
12 Extractive Industries(7)	4164.59	+0.2	4157.35	4133.81	4160.85	3803.43	3.55	2.51	14.01	143.77	1194.08
15 Oil, Integrated(3)	2906.73	+1.5	2862.90	2864.12	2868.14	2676.84	4.23	1.94	15.21	107.82	1247.29
18 Oil Exploration & Prod(13)	1882.78	+0.7	1870.01	1865.84	1867.96	1871.52	2.67	1.49	31.52	49.68	1117.56
20 GEN INDUSTRIALS(278)	1935.11	-0.1	1936.20	1930.87	1930.62	1881.26	4.27	1.84	15.92	72.20	1033.65
21 Building & Construction(38)	914.78	+1.0	905.67	897.14	897.97	1057.59	4.46	1.94	14.47	37.66	751.56
22 Building Matls & Merchs(31)	1684.38	+0.6	1675.01	1664.93	1669.76	1657.78	4.43	2.06	13.70	67.66	832.85
23 Chemicals(23)	2391.26	-0.4	2399.95	2400.99	2392.34	2289.05	4.03	1.88	16.42	80.65	1108.51
24 Diversified Industrials(20)	1756.43	-0.6	1766.30	1756.83	1756.03	1794.75	5.65	1.57	14.13	87.22	954.40
25 Electronic & Elect Equip(36)	2129.34	+0.4	2121.42	2102.26	2107.72	1901.37	3.52	1.98	17.93	61.70	1065.17
26 Engineering(69)	2121.32	-0.1	2123.43	2119.58	2114.23	1808.99	3.45	1.66	18.19	64.31	1263.93
27 Engineering, Vehicles(13)	2552.40	+0.4	2542.44	2538.37	2524.55	2292.48	3.68	1.17	29.16	93.15	1300.17
28 Paper, Pckg & Printing(27)	2819.46	-0.3	2829.21	2870.21	2863.31	2804.78	3.54	2.49	14.19	88.56	1151.23
29 Textiles & Apparel(21)	1448.78	-0.3	1452.83	1452.76	1462.17	1574.84	4.97	1.79	14.09	54.61	858.64
30 CONSUMER GOODS(90)	3453.90	-0.5	3469.83	3460.34	3464.27	2775.05	3.89	1.79	17.93	119.91	1247.90
31 Breweries(18)	2672.55	+0.2	2678.30	2646.83	2627.32	2238.36	3.74	2.00	16.66	82.78	1250.18
32 Spirits, Wines & Ciders(9)	2832.79	+0.1	2828.89	2824.43	2877.95	2849.20	4.23	1.63	18.15	107.13	996.13
33 Food Producers(24)	2456.42	-0.4	2465.14	2444.08	2459.43	2296.66	4.06	1.88	16.50	85.49	1082.16
34 Household Goods(11)	2525.67	-0.6	2539.83	2554.66	2568.66	2354.78	3.79	2.20	14.96	88.72	947.45
36 Health Care(17)	1926.27	—	1926.49	1919.14	1930.71	1583.56	2.70	1.81	25.49	48.10	1155.37
37 Pharmaceuticals(10)	4767.15	-0.6	4804.30	4841.92	4796.13	3103.16	3.46	1.70	21.22	153.87	1589.49
38 Tobacco(1)	4603.92	-0.6	4633.57	4514.98	4561.57	3754.12	5.21	1.90	12.66	229.23	1113.83
40 SERVICES(228)	2141.02	+0.1	2138.23	2126.58	2121.66	1915.98	3.14	2.06	19.47	60.00	1093.20
41 Distributors(30)	2619.51	+0.2	2613.59	2612.73	2624.78	2529.13	3.83	1.75	18.63	90.79	949.35
42 Leisure & Hotels(29)	2438.85	-2.2	2494.58	2472.13	2479.55	2065.77	3.29	1.84	20.64	73.67	1249.25
43 Media(43)	3437.47	+0.9	3407.21	3382.55	3368.36	2863.40	2.12	2.40	24.61	78.08	1228.01
44 Retailers, Food(16)	1919.28	-0.2	1922.43	1909.31	1909.92	1760.23	3.77	2.41	13.76	58.55	1193.17
45 Retailers, General(44)	1777.29	+1.0	1759.66	1749.02	1736.50	1619.83	3.33	2.10	17.84	50.38	996.60
48 Support Services(37)	1836.13	+0.4	1828.64	1830.16	1830.53	1528.32	2.51	2.48	20.04	38.97	1151.81
49 Transport(20)	2212.92	-0.3	2219.58	2217.66	2213.45	2262.96	3.92	1.28	24.91	74.52	903.86
51 Other Services & Business(7)	1157.86	-0.1	1158.93	1175.59	1183.65	1243.65	4.47	1.40	19.90	43.10	1040.65
60 UTILITIES(36)	2528.57	+1.1	2501.53	2484.74	2480.96	2420.29	4.58	1.98	13.79	96.36	1033.74
62 Electricity(14)	2908.73	+0.7	2889.12	2846.93	2836.69	2552.80	3.90	2.86	11.18	116.18	1294.25
64 Gas Distribution(2)	1573.23	+3.2	1524.83	1517.12	1525.25	1969.91	7.62	0.85	25.30	116.82	789.31
66 Telecommunications(7)	2083.30	+1.4	2054.32	2054.08	2070.21	2015.15	4.01	1.66	18.59	51.48	926.61
68 Water(13)	2104.17	-0.4	2111.58	2086.99	2020.58	1847.88	5.32	2.73	8.31	91.97	1122.17
69 NON-FINANCIALS(659)	1841.67	+0.2	1837.73	1830.69	1830.08	1662.63	3.90	1.92	16.72	63.28	1363.91
70 FINANCIALS(113)	2754.74	-0.5	2768.24	2757.25	2732.99	2201.88	4.04	2.45	12.63	103.85	1150.33
71 Banks, Retail(9)	3853.81	-0.6	3878.45	3872.52	3812.76	2923.86	3.77	2.81	11.77	140.81	1215.49
72 Banks, Merchant(6)	3577.74	-0.2	3584.10	3596.76	3589.63	2740.34	2.59	2.74	17.59	91.78	1117.43
73 Insurance(25)	1376.07	-1.0	1389.82	1376.88	1370.28	1245.39	5.36	2.68	8.70	72.25	1007.57
74 Life Assurance(6)	3313.41	+0.2	3305.92	3269.60	3280.07	2376.61	4.21	1.53	19.35	136.72	1349.89
77 Other Financial(22)	2404.95	+0.3	2398.17	2397.27	2411.42	1958.40	3.70	1.94	17.39	62.49	1339.72
79 Property(45)	1372.56	-0.3	1377.16	1363.56	1366.40	1443.04	4.51	1.33	20.80	47.10	823.01
80 INVESTMENT TRUSTS(133)	2918.82	+0.3	2910.50	2910.51	2906.82	2735.41	2.25	1.07	51.97	55.99	1006.42
89 FT-SE-A ALL-SHARE(905)	1739.53	+0.1	1737.91	1731.45	1728.27	1540.93	3.87	2.00	16.16	59.85	1434.16
FT-SE-A Fledgling	1083.51	+0.3	1080.66	1080.03	1078.30	-	2.87	1.26	34.42	29.27	1115.24
FT-SE-A Fledgling ex Inv Trusts	1084.87	+0.3	1081.57	1080.89	1078.17	-	2.95	1.35	31.42	28.20	1115.71

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3550.5	3551.4	3546.0	3544.8	3545.8	3544.6	3543.2	3535.0	3538.0	3553.1	3531.6
FT-SE Mid 250	3921.1	3921.3	3920.7	3918.4	3916.9	3913.9	3914.4	3910.3	3907.8	3921.6	3907.4
FT-SE-A 350	1766.8	1767.2	1765.1	1764.4	1764.6	1763.9	1763.4	1759.8	1760.7	1757.9	1758.4

Time of FT-SE 100 Day's high: 8.46am Day's low: 3.10pm. FT-SE 100 1995 High: 3593.0 (19/10) Low: 2954.2 (23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	901.9	904.3	904.7	904.2	907.6	907.6	907.6	907.2	906.1	906.1	897.4	+8.7
Pharmaceuticls	4757.2	4760.8	4756.7	4703.5	4740.4	4745.5	4742.4	4722.0	4708.4	4713.6	4750.3	-36.7
Water	2117.2	2113.5	2109.9	2108.1	2109.6	2103.3	2103.3	2099.0	2100.0	2100.0	2107.5	-7.5
Banks, Retail	3926.5	3930.7	3926.9	3928.6	3923.2	3920.6	3916.7	3903.3	3902.2	3903.0	3927.9	-24.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: English National Inv Pfd & English National Inv. Dfd (both Fledgling), Taunton Cider (SmallCap) & (32) INSERT: English National Inv. (Fledgling)

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,200	422	+3½
ASDA Group†	9,900	99¼	
Abbey National†	3,800	580	+2
Albert Fisher	4,100	49	
Allied Domecq†	6,300	488	-7
Anglian Water	573	589	+3
Argos	187	525	+4
Argyll Group†	4,100	296½	-4½
Arjo Wiggins†	5,500	209½	-2
Assoc. Brit. Foods†	747	697	
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

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هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 9 / Sch)

BELGIUM/LUXEMBOURG (Nov 9 / Frs.)

CZECH REP (Nov 9 / Koruna)

DENMARK (Nov 9 / Kr)

FINLAND (Nov 9 / Mka)

FRANCE (Nov 9 / Frs)

GERMANY (Nov 9 / Dm.)

GREECE (Nov 9 / Drachma)

ITALY (Nov 9 / Lire)

NORWAY (Nov 9 / Kroner)

POLAND (Nov 9 / Zloty)

PORTUGAL (Nov 9 / Escudo)

SPAIN (Nov 9 / Pts.)

NETHERLANDS (Nov 9 / Fl.)

SWEDEN (Nov 9 / Kronor)

SWITZERLAND (Nov 9 / Frs.)

TURKEY (Nov 9 / Tk Lira)

PACIFIC

JAPAN (Nov 9 / Yen)

Stock	Price	+/-	High	Low	Yld	P/E	Stock	Price	+/-	High	Low	Yld	P/E
ChiyoS	884	-3	938	708	...	—	MrZport	848	+4	1,050	720	—	—
ChichO	520	-6	649	384	...	—	MochPh	1,300	+20	1,741	1,200	0.8	—
Chyoda	898	-3	1,370	687	6.7	—	Mynagld	479	-7	540	375	1.0	...
ChgFN	942	-10	937	445	1.3	...	Mori S	2,090	—	2,370	1,420	—	—
ChubE	2,390	—	2,510	2,079	—	—	MurMan	3,880	+150	4,300	2,830	—	...
ChgPha	912	-18	1,040	813	—	—	NEC	1,370	—	1,520	858	—	...
ChgkA	2,380	—	2,499	1,999	—	—	NGK In	929	+8	1,050	740	...	...
ChuoTB	880	-15	1,480	880	—	—	NSK Sp	1,400	-10	1,480	885	—	—
CtzWch	733	+23	809	493	1.1	...	NHK Sp	610	-12	549	350	—	—
CsmOil	499	+6	749	480	...	—	NKK	250	-2	281	159	...	—
D'coIC	531	-16	585	410	...	...	NOK	780	+1	949	562	...	—
DaidoS	480	+6	585	385	...	...	NSK	659	—	767	448	1.3	...
Daiel	1,080	-20	1,500	976	...	...	NTN	696	-7	743	471	—	—
Daifuk	1,230	+10	1,850	558	1.0	...	NchiFu	378	+1	438	258	—	—
DaiNKB	1,770	+20	1,910	1,480	—	—	Ng'tdy	387	+6	622	370	—	—
D'chiP	1,400	-10	1,570	1,200	...	...	Nagano	543	+3	875	629	0.9	—
Dalldo	879	+10	880	640	...	...	NyHsd	408	-1	612	429	...	...
Dalkyo	892	-8	876	600	...	—	NatHse	1,740	-40	1,940	1,400	—	—
D'mary	842	-6	787	391	...	—	NexLne	238	+2	365	170	—	—

HONG KONG (Nov 9 / H.K.$)

INDONESIA (Nov 9 / Rupiah)

MALAYSIA (Nov 9 / MYR)

NEW ZEALAND (Nov 9 / NZ $)

SINGAPORE (Nov 9 / S$)

SOUTH KOREA (Nov 9 / Won)

TAIWAN (Nov 9 / TW $)

THAILAND (Nov 9 / Baht)

AUSTRALIA (Nov 9 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Nov 9 / Can $)

3:30 pm

MONTREAL (Nov 9 / Can $)

3:30 pm

AFRICA

SOUTH AFRICA (Nov 9 / Rand)

INDICES

	Nov 9	Nov 8	Nov 7	1995 High		1995 Low	
Argentina							
General (29/12/77)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia							
All Ordinaries(1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Mining(1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria							
Credit Aktien(30/12/84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Traded Index(2/1/91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium							
BEL20 (1/1/91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil							
Bovespa (29/12/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada							
Metals & Minls(1975)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite (1975)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portfolio (4/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chile							
IGPA Gen(31/12/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark							
CopenhagenSE(3/1/83)	358.11	356.47	357.62	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1930.43	1902.25	1936.35	2332.22	14/9	1695.38	29/3
France							
SBF 250 (31/12/90)	1220.20	1226.70	1221.67	1322.38	12/5	1164.41	13/3
CAC 40(31/12/87)	1852.63	1866.73	1857.35	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	789.91	785.30	783.01	848.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2289.8	2276.5	2269.3	2427.50	19/9	2018.70	30/3
DAX (30/12/87)‡	2192.82	2172.30	2174.97	2317.01	15/9	1910.89	29/3
Greece							
Athens SE(31/12/80)	910.73	910.59	907.07	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9497.83	9552.45	9732.41	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1978)	3316.00	3364.71†	(c)	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	481.41	487.46	489.91	519.18	11/8	414.21	18/4
Ireland							
ISEQ Overall(4/1/88)	2163.14	2150.51	2133.76	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	579.08	583.94	578.54	680.54	10/2	555.88	23/10
MIB General (2/1/95)	915.0	923.0	914.0	1076.00	10/2	877.00	23/10
Japan							
Nikkei 225 (16/5/49)	17821.04	17803.29	18021.22	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	267.18	267.20	268.63	288.16	4/1	222.29	13/6
Japan							
Topix (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd Section (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia							
KLSE Comp.(4/4/86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico							
IPC (Nov 1978)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands							
CBS TtlRtnGen(End 83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CBS All Shr (End 83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand							
Cap. 40 (1/7/86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway							
Oslo SE(Ind)(2/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines							
Manila Comp (2/1/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal							
BTA (1977)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore							
SES All-S'pore(2/4/75)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa							
JSE Gold (28/9/78)	1338.0♥	1314.0	1268.5	2023.00	2/1	1250.20	30/10
JSE Ind. (28/9/78)	7646.8♥	7652.7	7678.5	7678.50	7/11	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	970.91	980.84	987.72	1027.37	2/1	847.90	27/5
Spain							
Madrid SE (30/12/85)	(c)	298.55	297.98	318.98	13/9	283.30	26/6
Sweden							
AffarsvardsGen (1/2/37)	1700.2	1701.5	1713.0	1872.19	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1440.62	1434.25	1435.68	1440.82	9/11	1174.83	13/3
SBC General (1/4/87)	1082.89	1077.70	1077.50	1082.88	9/11	870.56	13/3
Taiwan							
WeightedPr.(30/6/66)**	4717.48	4773.70	4825.19	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1211.78	1222.75	1241.24	1472.04	10/7	1135.89	16/3
Turkey							
Istanbul Comp.(Jan 1986)	42863.1	43000.0	43989.0	54853.90	21/4	24844.20	23/1
WORLD							
MS Capital Int (1/1/70)§	700.2*	699.0	696.0	703.89	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1421.30	1418.79	1414.02	1480.89	15/9	1222.40	13/3
Euro Top-100 (26/6/90)	1285.74	1283.28	1281.47	1316.66	15/9	1117.34	9/3
JCapeDrgns (31/12/88)	(u)	322.94	326.08	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	136.89	136.45	138.95	159.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Nov	1889.0	1867.0	-10.0	1891.0	1859.0	18,205	27,589
Dec	1900.0	1877.0	-10.0	1900.0	1871.5	1,193	18,714
DAX							
Dec	2209.0	2189.0	-5.0	2216.0	2187.5	21,197	–
Mar	2228.0	2210.5	–	2233.5	2211.5	126	–
OMX							
Nov	1359.75	1346.75	-7.00	1363.00	1346.00	3,957	15,542
Dec	1368.50	1359.25	-10.50	1368.50	1359.25	158	270
SOFFEX							
Nov	3155.0	3145.0	+10.0	3164.0	3145.0	5,538	15,128
Dec	3152.1	3156.0	+21.0	3164.0	3152.1	254	2,022

** Sat Nov 4 : Taiwan Weighted Price 4814.35; Korea Comp Ex 968.97. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 9 – 2182.47 -1.58.

US INDICES

Dow Jones	Nov 8	Nov 7	Nov 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4852.67	4797.03	4814.01	4852.67 (8/11)	3832.08 (30/1)	4852.67 (8/11/95)	41.22 (2/7/32)
Home Bonds	103.85	103.86	103.90	104.04 (16/10)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2008.32	2004.48	2010.45	2010.45 (6/11)	1473.19 (3/1)	2010.45 (6/11/95)	12.32 (8/7/32)
Utilities	215.99	215.13	215.13	219.09 (25/10)	183.03 (3/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4877.59 (4839.30) Low 4775.71 (4770.66) (Theoretical♦)
Day's high 4852.67 (4818.34) Low 4794.86 (4786.72) (Actual♦)

Standard and Poors	Nov 8	Nov 7	Nov 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	591.71	586.32	588.46	591.71 (8/11)	459.11 (3/1)	591.71 (8/11/95)	4.40 (1/6/32)
Industrials♥	694.74	688.92	691.09	694.74 (8/11)	546.28 (3/1)	694.74 (8/11/95)	3.62 (21/6/32)
Financial	59.64	58.72	59.07	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	315.55	312.99	313.62	315.55 (8/11)	250.73 (3/1)	315.55 (8/11/95)	4.46 (25/4/42)
Amex Mkt Val	531.23	528.66	528.81	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1047.94	1043.90	1052.14	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Nov 3	Oct 27	Oct 20	Year ago
Dow Jones Ind. Div. Yield	2.41	2.46	2.42	2.79
	Nov 9	Nov 1	Oct 25	Year ago
S & P Ind. Div. yield	2.04	2.07	2.08	2.39
S & P Ind. P/E ratio	18.23	17.99	17.95	20.93

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Micron	11,693,700	59⅝	-1⅛
K-Mart	7,423,700	8¼	...
Motorola	3,950,300	64⅝	-1⅛
Telefonos	3,718,500	26¼	-⅜
Fed Dept	3,708,800	28¼	+1⅛
Cypress Semi	3,632,800	15⅝	-¼
Ford Motor	3,590,100	28⅝	-⅜
Nat Semi	3,448,500	21⅜	-1½
Texas Insts	3,301,600	59	-2
Wal Mart	3,225,400	23¾	+⅛

TRADING ACTIVITY

● Volume (million)

	Nov 8	Nov 7	Nov 6
New York SE	364.685	362.998	309.092
Amex	15.008	15.981	13.315
NASDAQ	489.381	538.209	401.309
NYSE			
Issues Traded	3,045	3,060	3,039
Rises	1,365	1,010	1,061
Falls	894	1,235	1,155
Unchanged	786	815	823
New Highs	125	83	139
New Lows	40	32	21

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	594.00	594.75	+0.65	595.90	593.00	78,707	200,767
Mar	600.00	599.85	+0.85	600.40	598.10	614	13,788

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Dec	17870.0	17810.0	-80.0	18170.0	17810.0	20,155	152,746
Mar	17930.0	17910.0	-20.0	18190.0	17910.0	1,139	9,871

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, November 9, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kitagawa Iron Wk	10.9m	829	+49	Takara Shuzo	4.2m	990	-30
Mitsui Min & Sml	8.3m	378	+3	Hyogo Bank	4.1m	3	
Mitsui Eng & Bldg	7.5m	285	-3	Fudo Const	3.8m	1010	+60
Daido St Sheet	4.4m	1230	+20	Green Cross Corp	3.7m	774	-3
Taito	4.4m	861	-29	Mitsubishi Hvy	3.6m	802	-6

3.30 pm November 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
18	12½	AAR x	0.48	2.7	24	50	17⅞	17⅝	17⅞	+⅛
48¼	36	AMP x	0.92	2.3	20	4049	40⅛	39¼	39⅞	+¾
80¼	53⅛	AMR			10	4648	72⅝	71⅜	72⅛	+⅜
47⅞	36⅜	ASA	1.71	4.3	26	710	39¾	39¼	39½	+½
44¾	30¾	AbbtL	0.84	2.1	18	6901	39⅞	39⅜	39⅜	-¼
18⅞	12	Abitibi Pr	0.40	2.3	0	4930	17⅞	17⅜	17⅝	-⅛
27⅞	21	ABM Ind	0.60	2.3	14	26	26⅛	26¼	26¼	
17½	13½	Acptncdn			10	1702	14½	d13⅛	14⅛	-⅝
37⅛	27⅞	ACE Ltd	0.56	1.5	8	80	36⅝	36⅛	36½	+⅛
9⅞	8⅛	ACM Gvt In x	0.90	9.5	8	62	9¾	9½	9½	-⅛
7¾	6½	ACM GvOpp x	0.66	9.1		237	7⅜	7¼	7¼	
7½	5¾	ACM Gvt Sp x	0.75	10.9		144	7	6⅞	6⅞	
8¾	7¼	ACM Gvt Se x	0.08	10.3		195	u8¼	8⅛	8¼	+⅛
9½	7⅝	ACM Man x	0.90	10.3		195	8¾	8⅝	8¾	+⅛
29¼	10¼	AcmeCle x	0.40	2.0	11	560	23⅞	21¾	23¾	+2
38¾	8¼	Acme Elect			71	219	8⅞	8½	8⅛	-¼
34½	23¾	Acordia	0.72	2.6	15	15	27⅝	27⅝	27⅝	-⅛
16¾	10⅛	Acuson			35	345	11⅝	11½	11½	-⅝
18⅞	15⅝	Adams Expr	0.48	2.5	0	140	u18⅞	18⅝	18⅞	+⅛
38⅞	20¾	AdvMic			7	12744	22⅜	d22⅞	00	+1
8¾	5	Advest Grp	0.16	1.8	12	173	9½	9	9⅛	-⅜
26⅝	16½	Advo Inc	0.10	0.4	00	279	u26¾	26½	26⅝	
38⅞	24.80	Aegon	1.28	3.3	21	68	38¾	38⅜	38⅜	+⅛
5⅞	3⅜	Aerflx			8	249	4¾	4⅛	4½	
76¼	46¾	AetnaL	2.76	3.7	35	3746	75½	74⅝	75	-½
44¾	31⅞	Aflac	0.52	1.2	12	1137	42⅛	42	42	-¼

Continued on next page

3:30 pm November 9

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
57¼	39⅞	SBC Cm	1.65	3.0	18	3741	56⅛	54⅝	55¼	-¾
28¼	20½	Scana Corp	1.44	5.6	16	1284	u26¼	26	26⅛	
18	14½	Scecrp	1.00	8.0	10	7731	16⅞	16⅝	16¾	-⅛
11¼	6⅛	SchawkA x	0.26	3.0	18	24	6¾	6½	6⅝	+¼
50¼	37¼	ScherorRP			22	814	43	41¼	41¾	-1⅛
56⅝	36½	SchrPl x	1.16	2.1	20	4283	u55⅝	54⅞	55	-¼
[illegible]										

3:30 pm November 9

NASDAQ NATIONAL MARKET

[illegible]

AMEX COMPOSITE PRICES

3:30 pm November 9

[illegible]

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. a-dividend also extra(s). b-annual rate of dividend plus stock dividend. [illegible]

FT Free Annual Reports Service

[illegible]

AMERICA

Tech stocks gain, Dow in peak territory

Wall Street

Sharp gains in technology shares helped all of the major indices to move higher in early trading yesterday, in spite of fears in the bond and currency markets that the possibility of a US government default on its debt was increasing, *writes Lisa Bransten in New York.*

Blue chip shares in the Dow Jones Industrial Average moved higher, passing Wednesday's record-breaking close. But indices other than the technology-rich Nasdaq composite were held back by declines on the bond and currency markets.

At 1 pm the Dow was up 12.28 at 4,864.95 and the Standard & Poor's 500 added 0.72 at 592.43, while the American Stock Exchange composite slipped 0.28 to 530.39. NYSE volume was 233m shares.

The markets paid little attention to wholesale inflation figures that were modestly better than economists expected. The Commerce Department said that the producer price index slipped 0.1 per cent in October, while most economists were expecting the figure to be flat.

In spite of the growing number of signs that inflationary pressures were in check, most analysts have written off the possibility that the Federal Reserve would lower interest rates again before Congress passed a credible deficit-cutting budget package.

The Nasdaq composite jumped 13.33 or 1.3 per cent to 1,061.27, while the Pacific Stock Exchange technology index forged ahead 2.7 per cent as semiconductor companies came roaring back from several difficult sessions.

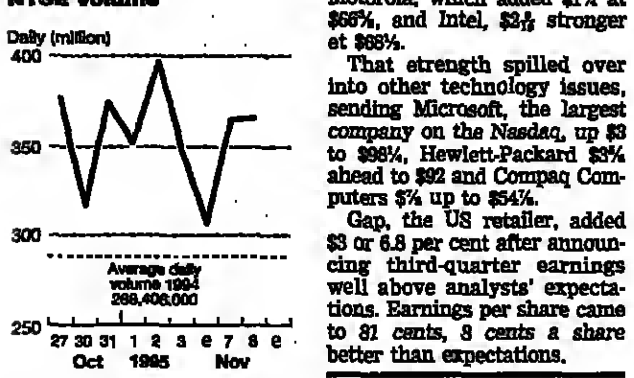
One factor sparking the gains in the technology sector was the release, late on Wednesday, of the Semiconductor Industry Association's book-to-bill ratio, which showed stronger than expected sales. The ratio of products billed to products shipped came in at 1.18, after the 1.15 registered in September.

Rising semiconductor shares included Micron Technology, $4¾ or 8 per cent higher at $64⅞, Texas Instruments, up $4 or 6.3 per cent to $63, LSI Logic, ahead $2¼ at $43⅞, Motorola, which added $1⅞ at $68⅞, and Intel, $3⅞ stronger at $65⅞.

That strength spilled over into other technology issues, sending Microsoft, the largest company on the Nasdaq, up $3 to $96⅜, Hewlett-Packard $3¾ ahead to $92 and Compaq Computers $⅞ up to $54⅞.

Gap, the US retailer, added $3 or 6.8 per cent after announcing third-quarter earnings well above analysts' expectations. Earnings per share came to *81 cents, 8 cents a share* better than expectations.

NYSE volume



Canada

Toronto gave up some of its early gains by midday and the TSE 300 Composite index was just 2.81 up by noon at 4,579.16 *in volume of 33.4m shares.*

Analysts commented that equities were being held back by the bond market, which was depressed by weak US treasuries, while the Canadian currency was expected to remain rangebound for the rest of the trading day.

Among technology stocks, Newbridge Networks jumped C$2⅞ to C$53⅞ and Delrina rose C$1 to C$19⅞.

Molson A was flat at C$22 after the brewery and chemicals group posted sharply lower second-quarter profits.

Mexico moves ahead

Some bargain hunting was evident in Mexico City following sharp falls during the earlier part of the week. By midday the IPC index was ahead 9.33 at 2,241.75.

During the morning the peso came under renewed attack and the currency fell to around 8.20 pesos to the dollar. Analysts suggested that one reason for the decline had been rumours, subsequently denied, that the government was either planning a major policy initiative or that it was proposing to make changes to its economic team. News that leading export companies had decided not to go ahead with a plan to set up a $5bn trust fund with the central bank to defend the peso was another negative factor, they remarked.

Investors were also awaiting October inflation data expected later in the session.

SAO PAULO was weaker at midsession, but volume was unexceptional. The Bovespa index had *fallen 396.99 or 1 per cent to 40,784.* Among the main movers, Telebras was up 0.3 per cent at R$38.95, Electrobras was down 0.4 per cent at R$279 and Petrobras declined 1.8 per cent to R$82.50.

BUENOS AIRES was little changed at midday as investors kept an eye on developments in Mexico. The Merval index slipped 0.57 to 396.99.

S Africa closes at year's high

Johannesburg posted a new high for the year as golds continued to rise, but many investors were said to be cautious about the outlook for the currently strong bullion price.

The overall index was 27.8 up at 6,000.8 and golds added 24.0 at 1,338.0. Industrials eased 5.9 to 7,646.8 on profit-taking after the sharp advance earlier in the week.

De Beers and Anglos dominated moderate volume trade on Wednesday's announcement by the diamond giant *that it would lift prices of its* bigger stones.

De Beers rose R2 to R106.50 and Anglos R3.50 to R225.75.

EUROPE

French ceiling rate cut fails to excite investors

An interest rate cut in PARIS, accompanied by the reopening of the five to 10-day lending rate, failed to excite investors. The CAC-40 index drifted lower throughout the day, finishing 13.70 down at 1,852.63. Turnover came to FFr4.7bn.

There was a feeling that, in spite of the reduction in the ceiling rate to 6.35 per cent, it was still too high, Mr Andrew Shepherd-Barron at Kleinwort Benson in London, maintaining an overweight position in France, said the market was looking for short rates in the region of *5 per cent, and* believed that such a level would come.

There was also an element of caution among investors ahead of next week's debate on the government's social security package. With a strike by unions planned to coincide with the debate, the government faced another tough week, analysts observed. However, it was possible that the Bank of France might ease rates further *if the social security measures were seen to be tough enough.*

Eurotunnel, which said that it hoped to increase the passenger vehicle capacity of its shuttle service by 60 per cent next year, initially hardened 20 centimes before finishing unchanged at FFr7.55.

FT-SE Actuaries Share Indices

Nov 9								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1426.46	1426.19	1426.33	1427.24	1426.86	1426.37	1421.58	1421.30
FT-SE Eurotrack 200	1537.26	1536.72	1536.69	1537.36	1537.16	1537.04	1532.07	1533.52

	Nov 8	Nov 7	Nov 6	Nov 3	Nov 2
FT-SE Eurotrack 100	1416.79	1414.02	1403.25	1413.68	1409.91
FT-SE Eurotrack 200	1528.56	1524.01	1518.88	1523.45	1524.27

Base 1000 (26/10/90) Highday: 100 - 1427.38; 200 - 1538.40 Lowday: 100 - 1420.93 200 - 1530.93 † Partial

FRANKFURT looked at German utilities – market outperformers this year – and gave further consideration to chemi*cals as BASF, a Dax under*performer, rounded off the "Big Three" quarterlies season.

The Dax index briefly broke through 2,300, but closed 1.58 lower at 2,182.47. Turnover was DM7.6bn. The day was distinctly negative for Schmalbach-Lubeca, the packaging subsidiary of the utility based group Viag. Schmalbach dropped DM36.50 or 13.4 per cent to DM235 after it forecast nil 1995 earnings and said that it would pass its dividend. Viag fell DM3.50 to DM553.50.

Still in utilities, Veba gave chemicals and petrochemicals the credit for a 46 per cent gain in nine-month pre-tax profits. The shares eased a token 7 pfgs to DM58.75; at the beginning of this month Mr Adam Dickens and Ms Jackie Ashurst of James Capel, moved by weakening bulk chemical and petrochemical prices, downgraded their 1996 and 1997 earnings *forecasts* for the company.

BASF rose just DM1 to DM306 on nine-month pre-tax profits 158 per cent ahead, a few percentage points better than most analysts expected.

AMSTERDAM rewarded KLM after the airline filed a lawsuit against a group of shareholders in Northwest Airlines, in which it has a stake of about 20 per cent. The action was taken after some shareholders threatened to block an increase in the Dutch carrier's voting power in the US airline. KLM rose Fl 1.10 to Fl 56.20.

The AEX index added 1.41 at 452.72. Negative sentiment continued to weigh on Akzo Nobel, off Fl 2.30 at Fl 189.20 and affected in recent days by German and UK government health warnings regarding an oral contraceptive.

STOCKHOLM was supported by Electrolux, which *offset* a fall in forestry stocks. The Affärsvärlden General index slipped 1.30 to 1,700.20.

Electrolux B put on SKr3.50 at SKr279 on a 20 per cent gain in nine-month profits, slightly above analysts' expectations. But forestries lost 1.4 per cent on reports of cheap pulp on offer in Asia. MoDo B fell SKr5.50 to SKr233 and Stora B SKr2.00 to SKr79.50.

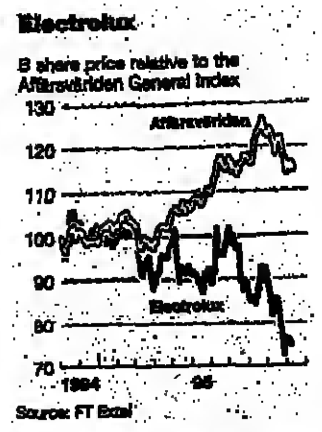
Astra B moved up SKr3 to SKr242.50 after good news about sales of its anti-ulcer drug. But Volvo B continued to ease after disappointing results on Wednesday, declining SKr6 to SKr134.

ZURICH pushed up to another high for the year, although a derivatives inspired pullback late in the day left the SMI index unable to break convincingly through resistance at the 3,150-3,155 level.

The index finished 17.5 higher at 3,150.11, with the firmer dollar and rising hopes of further reductions in interest rates supporting the mood.

Financials were again at the centre of attention, with Swiss Re up SFr15 at SFr1,260 after an upbeat presentation to analysts, and UBS bearers ahead SFr11 at SFr1,246.

Electrolux



Source: FT Extel

Among cyclicals, BBC closed SFr13 stronger at SFr1,330 and Alusuisse was up SFr19 at SFr910 after their recent consolidations. Ciba also bounced, by SFr11 to SFr1,005 after Wednesday's pullback.

Holderbank, however, gave up SFr5 to SFr971 in further negative response to its plans for a capital increase.

MILAN faced growing opposition to the 1996 budget, which seemed set for a rocky passage through parliament, and the Comit index fell 4.86 to 579.08 while the real-time Mibtel index lost 173 to 9,172.

Fondiaria slipped L280 to L6,650 after Wednesday's 7.4 per cent surge, which followed block trades outside the market of rights for shares, bought by Ferruzzi from two subsidiaries. Ferruzzi was L34 lower at L1,130.

Among blue chips, Fiat fell L153 to L5,075 and Generali was L683 off at L35,900.

ISTANBUL was slightly lower in narrow trading caused by a sharp decline in volume due to continuing worries over the political situation.

The composite index was down 186.87 to 42,863.19 after a day's low of 42,527. It had lost 4.3 per cent over the last three days following last week's fall of 4.7 per cent. Turnover plunged to TL4,400bn ($94.8m) from Wednesday's TL7,200bn.

WARSAW eased after five consecutive sessions of gains. The WIG index lost 0.7 per cent to 8,275.1 as turnover fell 13 per cent to 82.5m zlotys ($25.4m).

Analysts said the launch of the country's mass privatisation programme on November 22 was one factor in deterring investors.

Madrid was closed for a local holiday.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Weak $ depresses futures and leaves Nikkei in decline

Tokyo

Technical trading and position adjustment dominated activity ahead of today's option settlements, and the Nikkei average closed marginally lower, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index ended *42.25 off at the day's low of 17,821.04,* having moved above 18,000 during the morning session to 18,127.84 on arbitrage related buying. However, the decline in the dollar to the Y102 level depressed futures prices during the afternoon, prompting arbitrage unwinding and position adjustments.

The Topix index of all first section stocks eased 0.55 to 1,427.37 and the Nikkei 300 0.02 to 267.18. Volume was 360m shares, against 389m. Losers led gainers by 546 to 451, with 185 issues unchanged. But in London the ISE/Nikkei 50 index gained 6.53 at 1,209.28.

High-technology issues were mixed, although semiconductor related issues rallied in the morning helped by gains in New York.

Fujitsu put on Y10 at Y1,200 and Hitachi gained Y20 at Y1,520, but Canon dipped Y20 to Y1,810 and Mitsubishi Electric Y4 to Y745. Sony, which had been depressed on prospects of weak earnings, recouped Y30 at Y4,740.

Green Cross, a drugs maker, fluctuated wildly on speculative trading. Reports that a Japanese university was going to apply for approval of gene therapy to cure Aids prompted active trading in the company, as it has developed a drug jointly with a US company. The stock was eventually down Y3 at Y774, having surged to Y826 in the morning.

Other Aids related stocks were also actively dealt, with Eisai adding Y30 at Y1,770 and Okamoto Industries, a condom maker, Y11 at Y621.

In Osaka, the OSE average rose 23.03 to 19,552.80 in volume of 35.5m shares.

Nintendo, the video game manufacturer, shed Y340 to Y8,000. *The stock had rallied* earlier this week on hopes of an earnings boost because of a new 64-bit video game to be launched later this year, but *financial institutions took profits yesterday* on reports that the company might postpone the launch until next spring.

Roundup

Further selling ahead of the December 2 legislative elections *left TAIPEI 1.2 per cent* lower. The weighted index lost 56.22 to 4,717.48. Turnover totalled T$16.7bn.

Paper issues lost ground on the recent decline in pulp prices, with Chung Hwa Pulp down 80 cents to T$25.10. Financials fell 1.4 per cent, with International Bills off T$1.10 at T$18.30, and there was profit-taking in the electronics sector.

SEOUL tumbled for the third consecutive day as a selling spree in semiconductor issues depressed the mood. Other blue chips were also marked down as the investigation into the country's slush fund scandal spread to involve the heads of more large companies.

However, the banking sector, already hard hit in recent sessions by the scandal, rebounded as bargain hunters emerged in spite of prosecutors' plans to search commercial banks linked with the disgraced ex-president Roh Tae-woo.

The composite index fell 9.53 to 970.91 but the banking sub-index put on 7.44 at 585.93.

Among computer stocks, Samsung lost Won10,000 to Won159,500 on fears of what analysts described as looming supply problems facing the semiconductor industry.

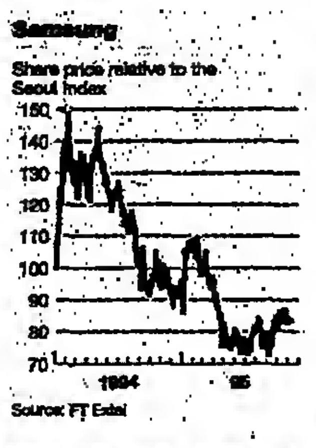
HONG KONG saw sharp early gains reversed by profit-taking, and the Hang Seng index, 90 points ahead at one stage, finished a net 64.62 lower at 9,497.85. Turnover edged up to HK$3.9bn.

Utilities continued to be hardest hit, with China Light slipping 50 cents to HK$36.90.

New World rebounded after slipping on Wednesday in the wake of disappointing results. The stock picked up 65 cents to HK$23.90 *on the view that next* year's earnings would show a big improvement.

KUALA LUMPUR's banking sector was under pressure on worries that rising interest rates would slow loans growth and earnings and that Bank Negara might raise bank requirements for reserves and provisions for bad loans.

Samsung



Source: FT Extel

The composite index weakened for the third straight day, sliding 9.48 to 903.54. Malayan Banking, hardest hit among banks, fell 60 cents to M$18.

MANILA lost interest in PLDT's good nine-month figures and the composite index slipped 23.29 or 1 per cent to 2,451.75, off an intra-day low of 2,457.05. Turnover was 928m pesos. PLDT lost 50 pesos to 1,450 pesos.

Brokers said investors sold the telephone utility after they realised that extraordinary gains had made a large contribution to the reported 41 per cent rise in net profits.

SYDNEY remained firm in spite of weak October unemployment data. The All Ordinaries index moved ahead by 21.0 or 1 per cent to 2,131.70. Turnover was A$575.3m.

News Corporation relinquished 7 cents at A$6.59 after the media group reported first-quarter results within expectations. Seven Network, by contrast, reached a new 18-month high, up 5 cents at A$3.60, after it acquired the Australian rights to the 1998 winter Olympics in Japan.

BANGKOK was anticipating disappointing nine-month results from Krung Thai Bank and the SET index slipped 10.97 to 1,211.78, the lowest close since April. Turnover was poor at Bt13.1bn.

Krung Thai, the country's third largest bank, which was expected to report its third-quarter figures next week, shed Bt3.50 to Bt92. The fall affected other sector stocks: Thai Farmers and Siam Commercial each softened Bt2 to Bt162 and Bt222 respectively.

WELLINGTON saw a rise in the NZSE-40 Capital index of 19.54 or 1 per cent to 2,192.58. The main feature was Telecom, which gained 11 cents to end at a record NZ$6.51.

BOMBAY finished a short-ened session lower as a soaring call money market and reports that the first phase of state divestment had raised a disappointing sum dampened sentiment. The BSE 30-share index fell 48.71 to 3,316.00.

SINGAPORE was broadly easier, with speculative second and third line stocks *falling on* profit-taking. The Straits Times Industrial index dipped 11.57 to 2,089.91.

● Karachi was closed for a holiday.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 8 1995								TUESDAY NOVEMBER 7 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	183.39	-0.2	172.06	118.62	135.06	162.65	0.0	3.99	183.85	172.73	119.64	135.41	162.72	181.01	157.95	169.11
Austria (27)	171.73	0.3	161.11	111.07	126.47	126.39	0.3	1.33	171.21	160.85	111.41	126.10	126.01	199.28	167.48	183.45
Belgium (35)	194.50	0.0	182.47	126.80	143.24	139.67	-0.1	3.75	194.45	182.69	126.54	143.22	139.74	201.12	164.78	169.65
Brazil (28)	135.28	0.1	126.92	87.50	99.63	239.38	0.1	1.76	135.15	126.97	87.95	99.54	239.14	188.35	88.06	182.54
Canada (100)	144.36	0.0	135.43	93.37	106.32	141.77	-0.1	2.60	144.35	135.62	93.94	106.32	141.95	150.83	121.81	132.90
Denmark (33)	279.78	-0.3	262.48	180.95	206.04	206.93	-0.2	1.55	280.48	263.51	182.53	206.58	209.43	295.99	236.61	246.60
Finland (25)	222.18	-2.1	208.45	143.71	163.63	198.42	-2.1	1.81	226.90	213.16	147.66	167.12	202.72	276.11	171.13	161.34
France (100)	179.74	0.6	168.63	116.26	132.38	137.82	0.4	3.19	178.65	167.84	116.26	131.58	137.07	191.17	157.79	171.68
Germany (59)	158.20	-0.1	148.42	102.33	116.51	116.51	-0.1	2.05	158.37	148.79	103.06	116.64	116.64	167.74	135.39	144.05
Hong Kong (55)	366.38	-1.7	343.74	236.98	269.84	363.77	-1.7	4.02	372.60	350.07	242.48	274.44	369.92	389.39	277.40	382.16
Ireland (16)	249.62	0.8	234.18	161.46	183.84	217.47	0.7	3.47	247.73	232.75	161.22	182.47	216.04	250.55	195.34	209.32
Italy (58)	72.18	1.2	67.72	46.69	53.16	85.74	1.0	1.77	71.32	67.01	46.41	52.53	84.90	82.71	65.45	75.91
Japan (483)	141.03	0.0	132.31	91.22	103.87	91.22	-0.6	0.83	140.98	132.45	91.74	103.84	91.74	164.82	136.96	160.54
Malaysia (108)	441.16	-0.8	413.91	285.36	324.92	430.64	-0.9	1.91	443.76	416.92	288.78	326.85	434.39	581.98	396.16	518.46
Mexico (18)	853.66	-1.9	800.88	552.15	628.70	7098.12	-0.4	1.96	870.59	817.93	566.55	641.21	7124.67	2155.31	647.61	2161.68
Netherland (19)	252.78	0.0	237.16	163.50	186.17	182.99	-0.1	3.57	252.71	237.43	164.46	186.13	183.10	263.99	207.80	218.53
New Zealand (14)	80.30	-0.9	75.33	51.94	59.14	65.22	-0.6	4.36	81.00	76.16	52.71	59.66	65.60	85.49	69.56	78.40
Norway (33)	223.50	-1.4	209.68	144.56	164.60	189.42	-1.5	2.21	226.73	213.02	147.55	166.99	192.34	243.79	182.82	199.32
Singapore (44)	371.09	0.3	348.18	240.03	273.31	241.81	0.3	1.70	370.03	347.66	240.81	272.55	241.05	414.26	313.94	363.60
South Africa (45)	373.27	0.9	350.16	241.43	274.90	298.73	0.8	3.92	369.92	347.54	240.73	272.45	294.30	373.27	281.06	339.14
Spain (38)	149.27	0.3	140.04	96.55	109.93	138.01	0.3	4.12	148.78	139.78	96.82	109.58	137.62	160.51	124.10	140.71
Sweden (49)	306.90	-0.5	287.93	198.51	226.03	303.06	-0.6	1.92	308.28	289.64	200.62	227.06	304.62	320.43	225.80	233.12
Switzerland (41)	224.35	-0.2	210.48	145.11	165.23	158.77	-0.1	1.67	224.82	211.22	146.31	165.59	158.88	225.37	158.38	165.79
Thailand (46)	153.20	-1.7	143.73	99.09	112.83	149.60	-1.8	2.72	155.78	146.36	101.38	114.74	152.35	194.55	130.15	175.26
United Kingdom (208)	225.38	0.6	211.45	145.79	166.00	211.45	0.4	4.09	224.14	210.59	145.87	165.09	210.59	227.01	187.07	201.60
USA (504)	242.34	0.9	227.36	156.75	178.48	242.34	0.9	2.44	240.11	225.58	156.25	176.84	240.11	242.34	182.33	190.30
Americas (650)	220.69	0.9	207.05	142.75	162.53	185.44	0.8	2.43	218.79	205.56	142.38	161.15	183.83	220.86	170.66	178.20
Europe (739)	194.91	0.3	182.86	126.07	143.55	163.23	0.2	3.10	194.42	182.66	126.52	143.16	162.98	199.02	169.04	173.16
Nordic (140)	277.47	-0.8	260.32	179.47	204.35	234.73	-0.8	1.84	279.61	262.70	181.96	205.94	236.66	295.02	215.79	224.81
Pacific Basin (832)	151.33	-0.1	141.97	97.88	111.45	101.26	-0.6	1.30	151.51	142.35	98.60	111.60	101.89	171.87	145.36	169.37
Euro-Pacific (1571)	169.40	0.1	158.92	109.57	124.78	124.67	-0.2	2.16	169.30	159.06	110.17	124.69	124.97	178.33	154.73	170.86
North America (604)	236.26	0.8	221.69	152.83	174.02	235.61	0.9	2.44	234.16	220.02	152.40	172.48	233.53	236.26	178.88	186.74
Europe Ex. UK (533)	174.33	0.1	163.56	112.76	128.39	136.97	0.0	2.54	174.19	163.65	113.35	128.29	136.93	179.46	146.45	154.27
Pacific Ex. Japan (349)	249.06	-0.8	233.66	161.11	183.44	218.88	-0.8	3.36	251.16	235.97	163.45	184.99	220.89	268.72	211.18	257.54
World Ex. US (1762)	170.42	0.1	159.89	110.23	125.51	128.29	-0.2	2.21	170.31	160.01	110.83	125.44	128.57	178.73	155.42	172.79
World Ex. UK (2060)	189.33	0.4	177.62	122.46	139.44	156.19	0.2	2.10	188.59	177.18	122.73	138.90	155.85	191.32	163.48	175.24
World Ex. Japan (1783)	221.09	0.5	207.42	143.00	162.82	205.75	0.5	2.78	219.93	206.63	143.12	161.99	204.78	221.43	175.95	188.74
The World Index (2266)	192.48	0.4	180.56	124.80	141.73	161.03	0.2	2.30	191.70	180.10	124.75	141.19	160.85	194.25	165.92	177.57